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U.S. Lodging Industry 1982

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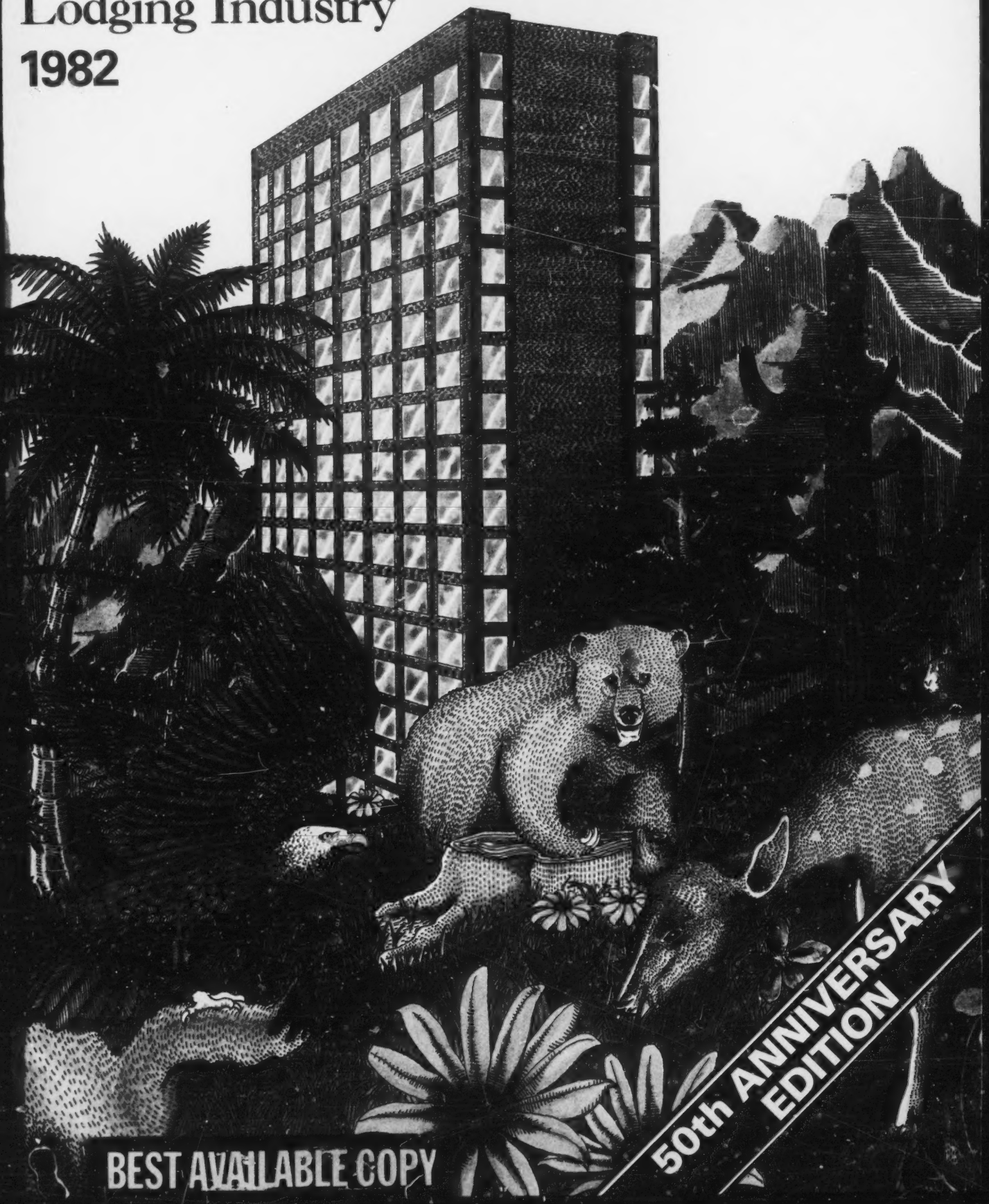

50th ANNIVERSARY EDITION

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U. S. Lodging Industry

50th Annual Report on Hotel and Motor Hotel Operations

1982 Edition

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$35 per copy

The U.S. Lodging Industry Today and Tomorrow

by John D. Lesure and Randell A. Smith
Research and Development Division
Philadelphia, Pennsylvania

This is the 50th year that Laventhol & Horwath (and its predecessor, Horwath & Horwath) has published information on the annual operating performance of the industry. This continuity has produced a wealth of data on lodging industry trends, so a review of developments in the lodging industry during the past 50 years seems appropriate.

Monthly survey

Laventhol & Horwath has published two studies of the U.S. lodging industry, one monthly and one annually, on an ongoing basis for more than 50 years. The monthly survey, which dates back to 1928, contains information about trends in the percentage of occupancy and double occupancy, room sales per occupied room (commonly referred to as the average daily rate) and room, food and beverage sales. The results of this monthly analysis of information from nearly 2,000 lodging properties are published in L&H's *National Trend of Business in the Lodging Industry*. According to the December 1981 issue, the occupancy rate declined 2.6 percent in 1981, a drop slightly worse than the 2 percent decline we originally had forecast for 1981. During the year, total room, food and beverage sales rose 7.4 percent, somewhat below our projected increase of 8 to 10 percent. Room sales increased 7.9 percent while food and beverage sales rose 6.3 percent. In sharp contrast to the results reported during 1980, when room sales per occupied room jumped 15.5 percent, during 1981 room sales per occupied room rose only 10.4 percent to $44.75.

For the first seven months of 1982, the percentage of occupancy continued to fall, dropping 3.9 percent below the same period last year. As a result, the decline in July 1982 makes 31 consecutive months during which the percentage of occupancy has declined from year-earlier levels. In addition, increases in room sales per occupied room have begun to moderate rapidly. The average daily rate was $48.38 in January 1982, while in July 1982 it had risen to only $48.72. This low rate of increase resulted in room sales increasing a modest 4.3 percent during the first seven months of 1982, the lowest rate of growth since the energy crisis in the early 1970s.

Price of rate cutting

During periods of economic recession and declining occupancies, hotel operators have resorted to widespread price reductions in an attempt to attract customers. This current downturn does not appear to be any different. Hotel operators nationwide have begun offering discounts, rebates and, in some cases, they have actually reduced their posted room rates to increase occupancies and sales volume. The room occupancy required to offset such discounts is shown in the accompanying table. In general, a 5 percent cut in rates requires an increase in occupancy of nearly that much to maintain income levels, and achieving that goal is highly unlikely based on past history. In an article in the June 1931 issue of *The Horwath Hotel Accountant* (predecessor of *L&H Perspective*), the late Edward C. Romine summed up the problem succinctly: "Now rate reduction would, of course, be richly justified if it stimulated travel; but it does not." Readers of the firm's publication were further admonished on the topic of rate cutting in October 1931, and in June 1954 the first table was published illustrating the "price" of rate cutting.

In the half century since the first Laventhol & Horwath lodging study appeared, there have been several periods of declining occupancy during which attempts were made to increase sales by cutting rates. The most serious was in the early 1930s, but the long decline in room occupancy that followed World War II was also a period of sharp price reductions as demand failed to keep up with the rapidly increasing supply of rooms. As recently as the early 1970s, and during the 1974-75 recession, we have had occasion to update the original article on the "price" of rate cutting.

The current illustration differs from previous ones since it is based on actual operating results. The case study property is the 352-room "Suburban Hotel" (that is not the real name) used for the series of articles in *Lodging*, the publication of the American Hotel & Motel Association.

A linear regression analysis of the number of rooms occupied (independent variable) and monthly operating expenses (dependent variable) for 1981 established the fixed and variable costs per occupied room. A variation of the break-even formula was then used to compute the number of rooms that would have had to have been occupied in 1981 to offset discounts of 5, 10, 15 and 20 percent in the room rates. The ratio of net income (before income tax) to total sales that would have been achieved if the rate had not been cut was added to the variable cost per occupied room at each level of occupancy. The formula was easily handled by the programmable calculator used to perform the linear regression.

As mentioned earlier, there is evidence that rate cutting is being offered as a solution to declining occupancies in 1982. In fact, *The Wall Street Journal* (June 17, 1982) carried a story headlined "Business-Center Hotels Step Up Rate-Cutting to Bolster Occupancy." Selective discounts and special weekend packages may attract some customers who might otherwise stay at home. However, we hope lodging operators are experienced enough to realize that sharp cuts in prices across-the-board are not the answer to slackening demand.

352-ROOM SUBURBAN HOTEL

The Price of Rate Cutting
Based on 1981 Data*

Present Occupancy Level	Occupancy Required When There is a Room Rate Reduction of			
	5%	10%	15%	20%
78%	81.6%	85.6%	90.0%	94.9%
76	79.5	83.4	87.6	92.4
74	77.4	81.1	85.3	89.8
72	75.3	78.9	82.9	87.3
70	73.2	76.7	80.5	84.8
68	71.1	74.4	78.1	82.2
66	70.0	72.2	75.8	79.7
64	66.9	70.0	73.4	77.2

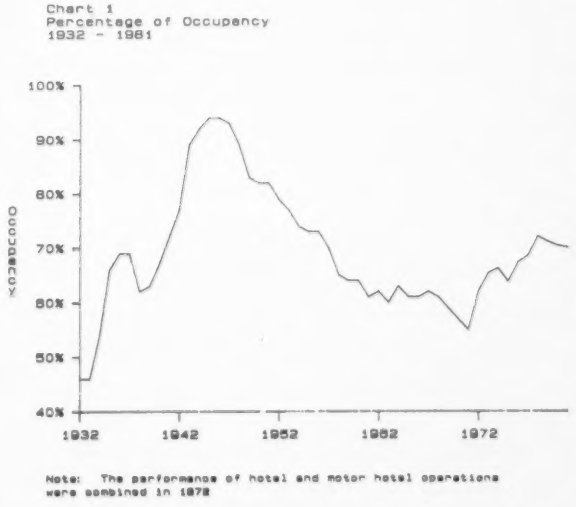
*Monthly fixed expenses were $3 ɔ,349 and variable expenses were $13.46 per occupied room. The percentage of net income to total sales expected at each occupancy level was added to variable expenses.

Long-term trends

In contrast to what we normally discuss in this section of the study, we decided to review the long-term trends in occupancy, room rates and earnings. We have prepared several different charts covering the past 50 years. While the data was not precisely comparable for the entire period (footnotes are provided for significant deviations), we believe that the information is extremely useful in looking at the long-term performance of the industry.

Chart 1 shows occupancy rates from 1932, the low point of the Depression, to 1981. The chart reveals that occupancy levels were extremely low during the 1930s following a rapid expansion in the supply of rooms during the 1920s. As the United States entered World War II investment was channeled into production of war goods resulting in a shortage of rooms during the mid-1940s as the post-war boom began. During this period demand was extremely high in relation to supply and it was not until the latter 1940s that supply began to catch up with demand.

The 1950s brought two significant developments that would eventually alter the basic structure of the U.S. lodging industry. One was the introduction of the chain concept that introduced mass construction of rooms, standardization and, subsequently, the ability to operate at a lower occupancy than was previously possible and still remain profitable. The other development was the nation's commitment to the interstate highway system that made long-distance trips by automobile a feasible means of travelling for a large and growing middle class. Dur-



Note: The performance of hotel and motor hotel operations were combined in 1978

ing this decade, the supply of rooms increased at a fairly rapid rate and the number of establishments reached an all-time record high of more than 70,000. Since that time the number of establishments began to decline as the large chains replaced the small, independent operators with fewer and larger properties.

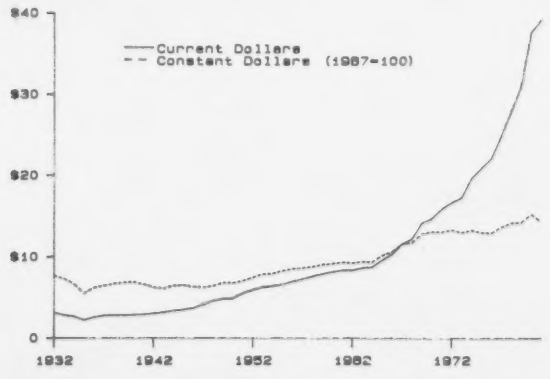
Through the 1960s, supply began to reflect demand much more closely and the number of rooms increased at about the same rate as demand, with occupancies stabilizing at about 60 percent. By the latter part of the 1960s, occupancies were beginning to be affected more by overall economic activity or demand than by the supply of rooms. With economic activity slowing down and inflation beginning to be a serious problem, highlighted by the wage and price freeze of 1971, both tourists and business guests reduced travel expenditures sharply and occupancies sank in the early 1970s to the lowest level since before World War II. Since that time, occupancies steadily increased, reaching a peak of 72.1 percent in 1979. This increase came about in spite of a significant increase in the supply of rooms during the early 1970s and reflected, on the part of industry management, a much better understanding of their markets. During the past few years occupancies have declined slightly, but given the slow growth in the economy and the record high interest rates this is hardly surprising.

Chart 2 shows room rates since 1932 in both current and constant (1967 = 100) dollars. Between 1932 and 1965, the average room rate increased at a compound rate of 3.4 percent per year on a current dollar basis. On a constant dollar basis it grew by slightly less than one percent each year. From 1965 to 1981, the average room rate rose at a much higher rate, increasing 9.2 percent in current dollars and 2.2 percent in constant dollars. Most of the increase in room rates during this period occurred in the latter 1970s. In particular, from 1979 to 1980 room rates jumped more than 20 percent.

This sharp growth in room rates has begun to moderate recently, with current increases more in line with those of the earlier 1970s. This ability to adjust room rates had enabled management in the industry to maintain a remarkable consistency in earnings, as shown in Chart 3. This chart shows income before fixed charges as an amount per available room since 1940. Prior to this date, this information was not computed. On a current dollar basis this measure exhibited virtually no variability between 1943 and 1964 in spite of the steady decline in occupancies. This illustrates how the large chain operators were able to adjust to lower occupancies and still maintain earnings. Once these properties were in place and the rate of expansion in new rooms began to decline, income before fixed charges began to increase. In fact, from 1970 to 1981, the income before fixed charges per available room on a current dollar basis rose at an annual compound rate of 15.3 percent. On a constant dollar basis, this measure dropped in 1970, 1974, 1975 and again in 1981, each time reflecting overall economic conditions that had a negative impact on real earnings in the industry.

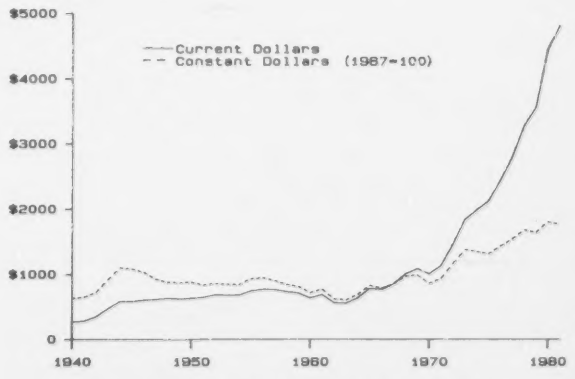
During the past 50 years, the U.S. lodging industry has gradually evolved from one dominated by entrepreneurial, independent operators to one dominated

Chart 2
Average Room Rate
(Room Sales Per Occupied Room)
1932 - 1981



Note: The performance of hotel and motor hotel operations were combined in 1972

Chart 3
Income Before Fixed Charges - Amount Per Room
(House Profits)
1940 - 1981



Note: The performance of hotel and motor hotel operations were combined in 1972 and prior to 1973 store rentals were excluded from income before fixed charges

by professionally managed large chain operations. This has brought increasing sophistication and awareness of guest needs and desires, but also a standardization that frequently lacks creativity and stifles innovation. Recently, this has begun to change as management offers more varied services along with different concepts in construction of new facilities and rehabilitation of older established properties.

Over the next several years, we expect the lodging industry to continue the long-term historical trend of steady increases in key performance measures. Occupancy rates are not expected to begin improving until the first or second quarter of 1983, which will result in lower profit margins for all of 1982 and on into the first part of 1983. As the economy begins to rebound, the lodging industry will move into a new and exciting phase of development. For the next several years, we expect both demand for rooms and the supply of rooms to increase at a steady rate with only minimal distortions in certain markets. The net result will be reflected in higher profit margins, capital turnover and return on investment. ■

Comments From Around the Country

From Albuquerque

The lodging industry in Albuquerque experienced several changes during 1981. The Best Western-Classic opened during the year, and construction continued on both the Marriott Hotel and the La Quinta Motor Inn. The 304-room Classic was developed by Los Pueblos Hotels, a division of Maloof Companies. The Classic and Marriott hotels are located on opposite ends of northeast Albuquerque's retail shopping area, in a section known as Uptown. The 414-room Marriott opened in July 1982 and the La Quinta, located near the Albuquerque airport, opened in September 1982.

There are plans for a 150-room addition to the 375-room Best Western Four Seasons. Completion of the addition is expected in 1984. Other proposed hotel developments include a budget property near the airport and a Granada Royale Hometel in the Uptown area. Several other projects are planned for Uptown. One proposal includes the leasing of a school complex for development into commercial space and a hotel.

A committee is studying the possibility of expanding the Albuquerque Convention Center downtown. The potential exists for the development of additional first-class hotels in this area. Currently, only the 300-room Regent and the 92-room Plaza Hotel are located near the Convention Center. Plans to restore the Plaza Hotel, originally developed by Conrad Hilton, are being discussed.

Tourism is a major industry for Albuquerque and all of New Mexico, and annual events such as the Balloon Festival attract participants and spectators from all over the world. Old Town is another major tourist attraction, as are the Sandia Mountains for a variety of outdoor activities. Proximity to other historic cities, such as Santa Fe, and tourist attractions, such as Carlsbad Caverns, make Albuquerque a hub of tourist activity for the state. Santa Fe's opera and square continue to attract tourists, and Taos and other mountain resorts are growing in popularity. The city is hosting the NCAA Basketball Championships in 1983, and plans are already underway to ensure that enough lodging facilities will be available for the participants and spectators.

As in many Rocky Mountain Region cities, passenger activity at the Albuquerque airport has continued to increase despite decreased activity nationwide. Additionally, American Airlines is planning to begin service to Albuquerque.

The growth of the high technology firms and other commercial development in the area, along with the possible expansion of the Convention Center, should provide Albuquerque with an excellent environment for continued hotel development throughout the 1980s.

Stephen A. Wessler
Denver

From Anchorage

The Anchorage lodging industry, which has been depressed since the shutdown of construction on the North Slope oil pipeline, seems to have rebounded.

Unlike the lodging industry in the "lower 48," Anchorage experienced an economic decline in the late 1970s. An oversupply of rooms resulted in low occupancies and correspondingly low average rates. But the lodging industry in Anchorage appears to have recovered. In 1981, area-wide occupancies were slightly under 70 percent. While average rates are still considered low relative to markets in other areas, they did show dramatic real growth.

Contributing to the overall growth has been the resilient Alaskan economy, which has continued to prosper despite the recession in the rest of the country. The major reason for growth has been the activity of the state government, buoyed by surplus oil revenue and the continued search for petroleum by the nation's oil companies. As a result, Anchorage has experienced unparalleled construction activity in both the public and private sectors. The city will soon have a new convention center, a performing and visual arts center and a $25 million sports arena.

Tourism continues to be a major part of Alaska's economy. The state government has provided more than $7 million for promotion of tourism in 1982.

While prospects for the economy and the area's lodging industry appear excellent, the recent oil "glut" has caused many petroleum companies to temporarily defer expected development. If this is more than a short-term condition, it could dampen Anchorage's economic recovery.

Maxwell Campbell
Andrew Olsen
Anchorage

From Atlanta

As for many major U.S. cities, 1981 was not a banner year for Atlanta's lodging industry. Total occupancy for the metropolitan area was down three to four percentage points from the low 70 percent range reported in 1980, and growth in average room rates subsided to approximately 10 percent from the 16 percent level achieved during 1980.

The sectors of the city experiencing the sharpest declines in occupancy were the airport and midtown areas, which dropped nine and five occupancy points, respectively. While the decreased occupancy in midtown Atlanta resulted from an increase in the guest room supply, the decline in occupancy in the airport vicinity was attributed to the combined impact of reduced airline traffic and the opening of the 650-room Marriott and 232-room Holiday Inn. The decline in airline traffic resulted, in part, from the recession, but also was a result of the air traffic controllers' strike in early 1981 and its residual impact, which is still being felt. Additional hotel development in the airport area consists of a 509-room Ramada Renaissance, which is expected to open in January 1983, and a proposed 163-room Days Inn on Best Road.

In midtown Atlanta, the Georgian Terrace Hotel, located directly across Peachtree Street from the recently restored Fox Theater, will be renovated in fall 1982. The 138-room York Hotel (formerly the Cox-Carlton Hotel), located in the same neighborhood, opened in mid-1981 after extensive renovation. Other proposed projects for midtown include the rehabilitation of the Imperial and the Frances Hotels, both planned for completion in 1983.

Major convention properties in downtown Atlanta experienced a net decline in occupancy of four points during 1981, while achieving an increase in their average room rates of about 11 percent. Escalating travel costs, the air traffic controllers' strike and other economic factors apparently have contributed to the decline in convention business. However, new construction and several proposed projects signal an optimistic outlook for convention business in Atlanta. Currently under construction and scheduled for completion in late 1982 or early 1983 are the 459-room Peachtree Palace hotel being developed by W. B. Johnson Properties and Metropolitan Life Insurance Company, adjacent to the new Georgia Pacific Tower on Peachtree Street; a 267-room Days Inn, adjacent to the Atlanta Apparel Mart, and a 350-room expansion to the Hyatt Regency in Peachtree Center. Two other major projects under construction downtown are an 1,800-room Marriott Hotel, being developed by John Portman, and a major expansion to the Georgia World Congress Center that will double the size of the existing facility.

The northwest and northern areas of the city have the most potential for future development. Currently under construction is the 531-room Galleria luxury hotel, being developed by Trammell Crow and to be operated by Stouffer. Also planned are two Holiday Inns, a Granada Royale Hometel and several other projects. During 1981, the properties located in the city's northwest and northern sectors experienced a slight decline in occupancies over 1980, attributable largely to recession-related cutbacks in commercial travel. Average room rates increased about 10 percent compared with 15 percent during 1980.

The Buckhead/Lenox Square area of Atlanta is a newly developing core of hotel activity. Located about nine miles from downtown, the area has a significant concentration of office and retail development as well as Atlanta's premier residential neighborhoods. While lodging demand emanating from this sector historically has been accommodated by the three existing hotels near the Lenox Square shopping mall, two new properties have been proposed. They are the 350-room Monarch Plaza, being developed by W.B. Johnson Properties, and a 400-room hotel adjacent to Lenox Square that reportedly would be operated by the Loews Corporation.

Overall, the outlook for hotel operations in Atlanta, particularly in the downtown and northern suburban areas, remains promising. Although properties in the airport area probably will recover more slowly than those in the remainder of the metropolitan area, the intensity of office, retail and industrial development together with the construction of major convention and group meeting demand generators should enable Atlanta's lodging industry to demonstrate once again its resistance to temporary overbuilding and recessionary pressures.

William G. Moeckel
R. Mark Woodworth
Atlanta

From Boston

The Boston lodging industry finally felt the effects of the recession during 1981 after a year of strong growth in 1980. The curtailment of domestic and international travel to the city, coupled with the addition of the 328-room Hotel Meridien in late 1981 and the 405-room Marriott Long Wharf in early 1982, has resulted in a softening of demand.

Overall, occupancies declined slightly from 78.7 percent in 1980 to 75.7 percent in 1981. Occupancies for Massachusetts hotels increased slightly from 74 percent to 75.5 percent during the same period. This increase can be attributed primarily to the recovery of summer travel throughout the state.

Today, despite depressed economic conditions and delays in the planned expansion of the John B. Hynes Veteran Auditorium from 150,000 square feet to 300,000 square feet, hotel development in Boston continues its phenomenal growth. As of first quarter 1982, Boston's room supply comprised approximately 6,800 guest rooms compared with about 4,700 in 1974, a total increase of 40 percent in eight years, or an average annual increase of about 5 percent. Hotel projects currently under construction include:

- The 155-room luxury Bostonian Hotel adjacent to Faneuil Hall Marketplace in Dock Square, expected to open in fall 1982.
- The 372-room Back Bay Hilton on Dalton Street adjacent to the Prudential Center, expected to open this winter.
- Copley Place, which will include the 804-room Westin Hotel and 1,110-room Marriott Hotel, expected to open in fall 1983 and spring 1984 respectively.
- The 275-room Four Seasons Hotel at Park Plaza, expected to open in fall 1984.

More than 3,000 guest rooms will be added to the area supply between fall 1982 and fall 1984, followed by a "breather" period in hotel development, at least into the late 1980s.

The combined average annual room rate for Boston hotels was approximately $69.50 during 1981 and for Massachusetts hotels, approxi-

mately $60. Room rates increased an average of 12 percent each year from 1975 to 1981, and 19 percent per year from 1977 to 1981. However, during the next four years growth is expected to slow down as a result of increases in competitive supply.

To summarize, after many years of growth in the Boston and New England hotel industries, it appears that 1982 will be a year of stabilization. Although high technology industries continue to buffer the region from the harsher effects of the recession, it is likely that the Boston lodging industry will become very competitive in the short term. The fruition of several of Boston's redevelopment projects and expansion of the Hynes Auditorium should help the industry make a strong comeback with the anticipated economic recovery.

Peter D. Keim
Karen D. Mastrobattista
Boston

From Charleston

The lodging industry in Charleston remained relatively stable during 1981, achieving about the same occupancies on a city-wide basis as during 1980. However, average room rates increased about 10 percent during the year.

During recent years, Charleston's restored homes, historic landmarks and special events, such as the Spoletto Arts Festival, have increased in popularity as major tourist attractions. Mid-March through August is still the peak season, although the tourist season appears to be expanding each year. There was a slight decline in the number of people visiting Charleston's attractions during 1981, primarily because of the continuing recession.

While growth in tourist-related lodging demand primarily affects downtown Charleston, lodging facilities in the northern counties of Dorchester and Berkeley continue to attract most of the area's commercial demand.

Revitalization in downtown Charleston has been inhibited by limitations imposed by historic districts, the lack of available land and the cost of renovations. The city is still planning to build a new visitors' center to accommodate the large number of tourists that visit Charleston annually. Proposals have been made to develop a minimum of 150,000 square feet of office space and a 350-room hotel adjacent to this complex.

Construction began on a 449-room Trusthouse Forte hotel in downtown Charleston this summer.

A Marriott Hotel proposed for the north Charleston area has been delayed. The facilities at the Sheraton-Charleston Hotel, which opened in July 1980, and the extensive meeting facilities proposed for the Trusthouse Forte hotel, should result in a significant increase in group meeting demand in downtown Charleston.

William G. Moeckel
R. Mark Woodworth
Atlanta

From Charlotte

Current and rumored lodging development is significant in all sections of Charlotte.

The central business district currently contains seven properties with a total of 1,453 guest rooms. The aggregate occupancy for these properties was about 72 percent during 1981, up .5 percent from 1980. Increased demand for lodging is generated, in part, by a growing convention market. Current lodging development activity in downtown Charlotte includes the proposed 450-room Marriott Independence Center; a 191-room, 14-story addition to the Sheraton Center, currently under construction, and a rumored 300-room all-suite hotel.

The Interstate 77 area south of Charlotte currently contains four properties with a total of 1,000 guest rooms. Occupancy dropped slightly in 1981, to about 75 percent from 76 percent in 1980, in response to a 100-room addition to an existing property. This area is the site of office and industrial development. The new Billy Graham Parkway, to connect Interstate 77 with the Charlotte Airport, is scheduled for completion in 1982, and should further stimulate area growth. Lodging development activity includes a 300-room Marriott franchise property, currently under construction; a 300-room hotel and a 125-room Guest Quarters near the Southpark office/retail center, and two 100- to 160-room expansions of existing properties.

The Interstate 85 north sector of the Charlotte area contains three properties with a total of 406 guest rooms. The aggregate occupancy was in the low 70 percent range during 1981, the same occupancy reported in 1980. This area may have the greatest potential for growth in the entire region, with numerous industrial and corporate parks developing along Interstate 85.

The future looks bright for Charlotte's lodging industry. The Charlotte-Mecklenburg Convention and Visitors Bureau's efforts to attract new convention and tourist business, the expansion of the Charlotte Airport, as well as ongoing commercial and industrial development throughout the city, contribute to a favorable outlook for area hotel operators.

William J. Spears
Charlotte

R. Mark Woodworth
Atlanta

From Chicago

High interest rates and the limited availability of debt financing have inhibited major hotel development in Chicago and other major cities nationwide. Nevertheless, hotel projects begun in late 1979 and during 1980 were completed during 1981 and early 1982.

During 1981, the lodging industry in downtown Chicago was characterized by renovation, remodeling and rehabilitation. A number of first-class hotels underwent extensive renovation and remodeling, including the Ambassador East, the Drake, the Westin (formerly Continental Plaza) and the Tremont. Also, a new conference center was built in the Palmer House as part of a large-scale renovation program. Three major rehabilitations were the 350-room Inn of Chicago (formerly the St. Clair Hotel), the 255-room Knickerbocker Hotel and the 120-suite Hotel Barclay. We expect this trend to continue partially as a result of the Economic Recovery Tax Act, which offers new tax incen-

tives for renovating existing structures.

Despite a downturn in the local economy and convention-related business, which constitutes more than 50 percent of total lodging demand, room occupancy was down only about 2.5 points from the 1980 level. Downtown hotel occupancy for year-end 1981 was 61 percent, six points below the 1981 national average. The average room rate increased 10 percent, which is significantly less than the 17 percent increase in 1980.

The demand at the newer "carriage-trade" properties, which generally take longer to develop a following and to achieve stabilized occupancies, showed some improvement over 1980. This is partially a result of limited new supply entering the market and because the properties that opened in late 1980 were able to increase their market penetration. Properties that cater primarily to business travelers have experienced stable demand, and the major convention-oriented hotels survived 1981 by increasing their appeal to the highly competitive commercial market segment while continuing to attract significant in-house convention business.

North of the Chicago River on Lake Michigan is Navy Pier, a national historic landmark. The City of Chicago and the Rouse Company are negotiating a contract to revitalize this landmark. Preliminary plans include a luxury hotel, entertainment and retail facilities, a cultural center, a floating museum and a marina. The development, a public/private effort, would utilize the new tax incentives associated with the revitalization of historic structures.

Construction of the State of Illinois Building, located at LaSalle and Randolph Streets, is the first activity of the North Loop Redevelopment Project. During the past year, there have been some major setbacks with the proposed flagship Hilton Hotel. The developers of the 1,800-room property were seeking a $90 million tax abatement over 13 years. The Cook County assessor has refused to grant a tax abatement on the basis requested. Accordingly, Hilton is examining possibilities for a smaller size property and different concepts that would be both feasible and compatible with the site.

The other major development in the North Loop Redevelopment project is the Loop Transportation Center. The project is to be connected to the Chicago rapid transit system (which will extend to O'Hare Airport) and will include an airport terminal and 545,000 square feet of office space in the Loop. This redevelopment and continued commercial activity are positive signs for downtown hotels, especially those that cater to business travelers.

During 1981, occupancy in the suburban lodging markets dropped to 65 percent, a decline of five percentage points. At O'Hare, occupancy was down about two points. A number of new hotels opened in the suburbs during 1981. Hyatt's presence in the Chicago market increased to six properties with the June 1981 opening of the Hyatt Regency Woodfield in suburban Schaumburg, where a 400-room Marriott also is under construction. Other additions to the suburban lodging market include the 420-room Hamilton Hotel in Itasca (operated by Stouffer), a 126-room La Quinta Inn and a 114-room addition to the Holiday Inn-Rolling Meadows. Two properties opened in Naperville during 1981, the 300-Sheraton Inn and 160-room Hilton Inn. A 120-room Budgeteer Motor Inn opened there in June 1982.

Several hotel developments have been proposed near O'Hare International Airport. However, the only activity thus far in 1982 is the 530-room Westin Hotel, which is under construction and expected to open in early 1984.

Both the downtown and suburban lodging markets are surviving the depressed economy, mostly because of the strength of commercial office development. This activity, combined with a projected increase in the number of convention attendees in 1982, should have a positive impact on the downtown lodging properties. For the suburbs, most current and anticipated development is occurring west and northwest of the city, primarily near Oak Brook, Naperville and Schaumburg.

Douglas W. Miller
Chicago

From Cincinnati

Occupancy in the Cincinnati area declined during 1981 due, in part, to the downturn in the economy.

During 1981, weekend occupancy decreased materially as a result of the major league baseball players' strike during June and July. The air traffic controllers' strike also affected Cincinnati, which is a hub for some airlines. Another factor was an increase of about 10 percent in the available room supply, including the 460-room Westin, the 272-room Sheraton Inn and the 152-room Midway Motor Lodge.

Based on these factors, the occupancy for Cincinnati decreased about 8.3 points to 55.2 percent in 1981 from 63.5 percent in 1980. Room sales decreased 8.4 percent, while room sales per occupied room increased 6.1 percent.

At year-end 1981, the Netherland Hilton closed for renovation and will reopen in 1983 as a Dunfey hotel. Also planned or under construction are a 247-room Holiday Inn, a 250-room Sheraton and a 500-room Hyatt Hotel downtown.

The outlook for Cincinnati's lodging market includes recovery and then growth. Cincinnati is attracting a number of high technology companies. While such companies are not immune to the recession, they have the potential for faster growth when the economy recovers. When this happens, Cincinnati's lodging market should respond well.

Kenneth J. Olah
Steven F. Zamborsky
Cleveland

From Cleveland

During 1981, the Cleveland lodging industry experienced the smallest decline in occupancy compared with other major metropolitan areas in Ohio. Occupancy was 54.7 percent in 1981, a decline of 2.6 percent compared with 1980. Occupancy has declined in Cleveland since mid-1979. The average rate was $40.08 (the highest of the major Ohio markets), up 7.8 percent from 1980.

A constraint on the growth of the city's lodging industry is its lack of hotel accommodations relative to the

amount of available convention space. Cleveland has not been able to compete with other major convention cities in recent years because of the limited availability of first-class hotel rooms. Decreasing delegate attendance has discouraged hotel development throughout the last decade. Although no plans for downtown hotels were finalized during 1981, developers are interested in adding to the room supply downtown.

In recent years, however, other downtown development has begun to brighten the future of Cleveland's lodging industry. In addition to the renovation plans for the Cleveland Convention Center, several new office buildings and refurbishments are expected to revitalize downtown.

Increases in the supply of suburban guest rooms include a new Red Roof Inn in Middleburg Heights and a Skylight Inn, a prototype for a new economy lodging chain in Beachwood.

The development of the city's lodging industry in the near future is dependent on the potential for increased convention business. The city's political and business environment seem to promote a spirit of cooperation between hotel developers, convention center and city officials that could spur the mutual development of hotel rooms and convention business.

Betsy Fay
Michael L. Sturges
Cleveland

From Colorado Mountain Resorts

Lodging development activity continued in Colorado's mountain resorts despite the poor state of the national economy. After a disastrous 1980-81 season, Colorado's ski areas bounced back in 1981-82 with perhaps the best snow in history, but not to the record levels of two years ago. Colorado Ski Country USA reported that Colorado's 35 ski areas recorded a 38.6 percent increase in skier visits over the previous year. In general, occupancies and average rates also increased over the 1980-81 season.

As growth continues, many resort areas are expanding their ski mountains in addition to their bed bases. Breckenridge, Snowmass, Winter Park and Copper Mountain are a few of the resorts that have constructed additional chair lifts and opened new ski trails. Breckenridge has opened the state's first four-person chair lift.

Condominiums historically have been the most popular type of lodging facility at the ski resorts, although hotel development is increasing. The relatively high construction costs and lower annual occupancies (due to seasonality) in the past have served as roadblocks to most major hotel companies attempting to enter the ski resort market. However, this trend is reversing. Many of the Colorado ski areas have become more sharply competitive and have developed more extensive non-winter amenities in an attempt to stabilize their economies and increase their appeal as year-round resorts. The successful areas have developed conference centers or lodging properties with extensive meeting and conference space to increase use of their facilities during the off-season.

The sudden growth of the meeting/conference market during the off-season has attracted many of the major hotel companies to the state's ski areas. Three national chains began or completed projects in Colorado's mountain resorts last year. At Vail, phase one of a four-phase 401-room Westin Hotel and condominium complex began. The plans include the construction of 42,000 square feet of meeting/conference and education space, to be used in conjunction with Colorado Mountain College. At Marriott's Mark Resort in Vail, construction began on an addition that includes 120 rooms and 8,800 square feet of function space. The facility currently comprises 203 lodge rooms, 25 condominiums and 8,600 square feet of function space. At the Sheraton at Steamboat (Steamboat Springs), a 196-room tower and 12,500 square feet of function space have been added, bringing the totals at that property to 276 guest rooms and 15,756 square feet of meeting/conference space.

Because of the high cost of financing resort hotels, developers have turned to creative financing methods. One method, which involves selling a portion or all of the hotel rooms as condominiums, is being used at the recently opened Snowmass Club, a 76-unit luxury property in Snowmass. Other mountain hotels, such as the Sheraton at Steamboat, have sold a portion of their properties as condominiums. Condominium sales have been affected negatively by the national recession, resulting in relatively high inventories at most ski areas. This has prevented a number of projects from obtaining financing this year.

The outlook for lodging development in the upcoming year is very good. Around the state, several expansions to existing ski mountains as well as new ski resort areas are in various stages of planning and development. The competition is increasing for the skier/tourist dollar. To be successful as year-round resorts, those areas without adequate meeting/conference facilities will have to develop and market them effectively to maintain their market positions. The major hotel companies are becoming more aggressive in developing mountain resort projects. Creative financing methods are enabling hotel projects in the mountain resorts to become a reality.

David Johnstone
Denver

From Columbus

Demand for lodging facilities in Columbus was affected moderately by the recession during 1981. Year-end occupancy was about 66 percent, a 3 percent decline compared with 1980. Room sales increased about 5.6 percent, reflecting an estimated 9.2 percent increase in room sales per occupied room offset by the decline in occupancy. Total sales increased about 2 percent.

The modest decline in area occupancy reflects a diversified and expanding economy that is less dependent on the automobile industry than are other cities in the state. This characteristic is exemplified by several major area developments.

During 1981, work was begun on the $7.5 million expansion of the Veteran's Memorial Auditorium, which will increase convention space to about 115,000 square feet. This will enable Columbus to become a more attractive convention city.

The $72 million expansion of the Port Columbus International Airport terminal building also was under construction during 1981. These projects and developments are expected to enhance the stability of the Columbus lodging industry.

Three significant changes were made during 1981 in the Greater Columbus area room supply. They were the June opening of the 323-room Marriott Inn-North, the October opening of a 220-room Stouffer's Inn and the closing of the 420-room Neil House hotel in downtown Columbus, which was razed to make room for the Hunnington-Hines project.

During 1981, plans for three other lodging projects were announced. These projects (expected to open in 1984 and 1985) are the 416-room Hyatt hotel, which will be constructed as part of the Capitol South complex; an 18-story, 480-room Stouffer's hotel, which will be built adjacent to One Nationwide Plaza, less than one block from the Ohio Center convention facility and Hyatt Regency Columbus, and a 225-suite hotel to be developed in conjunction with an office park complex in northern Columbus.

The outlook for the Columbus lodging industry appears to be good. With a growing commercial base and expanding convention facilities, demand for lodging accommodations is expected to increase steadily during the next two years. However, with the addition of new lodging facilities to the existing supply, Columbus area occupancy is not expected to improve significantly.

Peter J. Weien
Terry L. Richards
Cleveland

From Dallas

Despite the national economic recession, high interest rates and a 14 percent increase in the room supply, hotels and motels in the Dallas area experienced significant growth in demand during 1981. Total occupied rooms increased about 10 percent while market occupancy declined only two percentage points, to about 67 percent. The city-wide average room rate rose to $49 in 1981 from $43 in 1980, an increase of nearly 14 percent.

The hotel construction boom has continued in Dallas. Eleven projects comprising more than 2,000 rooms opened in 1981, increasing the room supply to 27,000. Another 13 projects with nearly 4,500 rooms are scheduled to open in 1982. In addition, 14 projects with about 5,000 rooms are planned to open in 1983 and 1984.

The table below provides a summary of current hotel development in the Dallas area.

The north Dallas area remains the strongest sector in terms of hotel occupancy. Office development has been extremely high in this area and has resulted in considerable hotel development, including more than 3,000 rooms currently under construction.

Dallas is becoming a major force in the national and international convention markets, offering several major convention facilities. The five largest hotel projects under construction in the north Dallas area each include more than 500 guest rooms and large amounts of meeting and banquet space. Additionally, expansion plans for the 1.5 million-square-foot Dallas Convention Center include adding 100,000 square feet to the exhibit hall and 75,000 square feet of meeting space. This project is scheduled for completion in 1984. Dallas will host the 1984 Republican National Convention, which should enhance its image as a major convention city.

Results for the first quarter of 1982 show a continuation of 1981 trends. The average occupancy has declined slightly, while the average room rate

Dallas (New Properties)

Area	Property	Rooms	Status*
Downtown	Adolphus Hotel	435	O
	Bradford Hotel	140	O
North Central Expressway	Ramada Inn	283	O
	Carlton House	70	O
	Holiday Inn	225	O
	Hilton Inn	298	UC
North Dallas	Harvey House	316	O
	Holiday Inn Centre Plaza	296	O
	Lincoln (A Radisson Hotel)	540	UC
	Sheraton Park Central Hotel	565	UC
	Westin Hotel	448	UC
	Registry Hotel	564	UC
	Marriott Hotel	537	UC
	Guest Quarters Hotel	350	P
Stemmons Freeway Corridor (Market Center Area)	Mansion on Turtle Creek	147	O
	Granada Royale Hometel	249	O
	Holiday Inn	358	UC
	Wyndham Hotel	542	UC
	Marriott Expansion	300	P
D/FW Regional Airport—Las Colinas Area	Mandalay—Four Seasons	423	UC
	Sheraton Grand Hotel	302	UC
	Marriott Hotel	500	UC
	Hilton Inn and Executive Conference Center	416	UC
	Las Colinas Conference Center	350	P
	Hyatt Regency	500	P

*O-opened; UC—under construction; P—planned.

has increased about 9 percent to $50, compared with the first quarter of 1981.

Projected increases in room supply probably will increase competition in the Dallas area lodging market during the next five years. However, with the anticipated growth in demand, the market should begin to strengthen in the mid- to late 1980s.

John R. Weeman Jr.
Brian C. Moulton
Dallas

From Denver

In 1981, Denver and the entire Rocky Mountain Region continued to benefit from the nation's desire to develop new energy sources. Synthetic fuel development and oil exploration continued at a rapid pace. In addition, the relocation of many high technology industry firms to the Rocky Mountain Region was reflected in increased population and employment.

The lodging industry has benefited from this rapid economic growth. Several hotels opened during 1981 and others have been announced. In the Interstate 25 corridor of southeast Denver, 800 rooms were added to the room supply and were absorbed with no discernable decrease in area-wide occupancy. Several new hotels and additions to existing facilities have been proposed for this area.

Growth in the central business district continued during 1981. Construction continued on the 16th Street Mall, a pedestrian mall and transitway that, when completed in late 1982, will provide a retail and activity center for the revitalized central business district. In the lower downtown area, rehabilitation projects are converting historic buildings in warehouse areas into small luxury hotels, retail complexes and restaurants while maintaining the facades and architectural style of the historic turn-of-the-century buildings.

The hotels in the central business district continued to prosper in 1981. The Marriott-City Center Hotel, after several delays, is scheduled to open in early 1982, and the 372-room Park Suite Hotel is under construction. Westin Hotels plans to break ground in mid-1982 for a 426-room property that will be part of Tabor Center, a two-block mixed-use complex including about one million square feet of office space and more than 100,000 square feet of retail space. Although there is speculation regarding other proposed hotel developments in the central business district, sophisticated developers, city officials and lodging operators all concur that to support continued hotel development, a larger convention facility than the existing Currigan Hall is required. Laventhol & Horwath has been engaged to perform an analysis to determine the size, scope and location for the convention center. Hotel developers and real estate professionals are anxiously awaiting the results of this study before committing to specific sites.

As real estate and commercial development continues to occur throughout the Denver area, there will be additional need for lodging accommodations. This is reflected by the construction of a 249-room Sheraton Hotel in Lakewood and a 122-room La Quinta Motor Inn and 250-room Summit Hotel in Aurora. In addition, many expansions to existing properties and new hotel projects have been proposed throughout the metropolitan area.

The overall growth of the economy is reflected in the activity at Stapleton International Airport. In the past few years, despite strikes by major airlines and air traffic controllers, the annual number of passenger arrivals at and departures from this airport has continued to increase, resulting in Stapleton's ranking as the world's eighth busiest airport. Because of this, and despite recent proposals to relocate the airport, many developers have been seeking hotel sites in this area. At the moment, however, only a 257-room Holiday Inn is under construction.

Although there may be a temporary slowdown of economic growth in the region during 1982 as a result of reduced governmental emphasis on synthetic fuel development and the world oil situation, the outlook for the mid- and late 1980s is very optimistic. Because of the continuing growth of the recreational facilities in the Rocky Mountains, the emphasis on energy and mineral exploration, and the attraction of many high technology industries to the region, the Denver area will continue to be an attractive location for hotel development.

John S. Nishijima
Denver

From Detroit

The U.S. auto industry's problems had a negative effect on lodging demand in Michigan in 1981. Statewide occupancy declined 2.7 points or 3.9 percent between 1981 and 1980. Year-to-date occupancy at June 30, 1982, showed Michigan lodging properties to be 6.2 percent behind levels achieved at the same point in 1981. In addition to the soft state economy, this trend can be attributed to the absorption of additional rooms.

Hardest hit by the recessionary economy in 1981 were downtown properties. Airport properties reported the highest occupancy level at 74 percent, a trend that continued during the first half of 1982. Resort properties exhibited the smallest decline in occupancy in 1981. Regionally, the western part of the state was affected most by declining occupancies; the northern zone reported growth in occupancy, and the southeastern zone maintained the highest regional occupancy level.

The statewide average room rate increased about 9 percent to $39.50 in 1981. The year-to-date average room rate at June 30, 1982, was 8.3 percent ahead of the same period in 1981. Declining area inflation limited operators' ability to increase rates as much as in recent years. Nevertheless, declining occupancies have been more than offset by rate increases, and room sales are up 1.6 percent in 1982.

High interest rates and the lack of available capital continue to thwart the development of proposed hotels and the expansion of existing facilities. Despite the turbulent financial environment, several major hotels opened in 1981 and the first half of 1982. Most notable among these were the Stouffer's Battle Creek; the Sheraton Fashion Square in Saginaw; the Flint Hyatt Regency; Grand Rapids' Amway Grand Plaza; the Midway Motor Lodge in Lansing; the Sheraton Inn in Lansing; the Holiday Inn-West in Livonia, and the Sheraton Oaks in Novi.

These eight properties added approximately 2,000 first-class rooms to Michigan's room supply.

Budget hotel companies, such as Red Roof Inns and Cardinal Industries (Knights Inn), continue to develop new sites statewide, especially in major urban areas. This appears to be a major growth sector for hotel development.

During Superbowl XVI weekend in Detroit in January 1982, Michigan initiated the "Say Yes to Michigan" promotional campaign to capitalize on the sports event and encourage tourist activity within the state. The Milliken administration increased Michigan's 1981-82 tourism budget by nearly $3.5 million to fund the campaign, bringing the total travel-related budget to almost $8.5 million. Early results of these efforts are encouraging; Michigan's summer tourist activity is running ahead of projections.

In the coming year, hotel operators will become increasingly concerned with offsetting declines in occupancy. Greater emphasis will be placed on marketing efforts and cost cutting techniques. The level of competition for group business will increase, as will sales efforts targeted at corporations and travel agents. Overall, the major attitude will be to "batten down the hatches and ride out the storm."

John H. Leary
Sarah W. Boulos
Detroit

From El Paso

The El Paso lodging industry ended 1981 with an annual average city-wide occupancy of approximately 77 percent compared with 70 percent in 1980, a 10 percent increase in total occupied rooms. Room rates at El Paso lodging facilities averaged $30 to $40 in 1981.

Although the El Paso lodging industry has grown in recent years, it has been hampered by the lack of major new additions since the Granada Royale Hometel opened in 1976. The following hotel projects, which are either under construction or planned, should provide additional capacity to accommodate future growth in demand:

- A 300-room Marriott, currently under construction, is scheduled to open in 1983.
- Two proposed Granada Royale Hometels containing 200 rooms each, planned to open in 1984 and 1986.
- A 150-room expansion of the Hilton Inn planned for late 1983.
- A 400-room convention hotel planned for the downtown area.
- The refurbishment of the Hotel Paso Del Norte and Hotel Cortez, containing 357 first-class rooms, planned to open in mid-1983.
- A Holiday Inn planned to open in late 1983.

Demand for El Paso's lodging facilities is dominated by the single commercial traveler. This segment should continue to grow as a result of the city's long-term economic potential, including its "twin plant" concept and favorable climate, particularly for electronic industries. Growth in the group/convention market will be limited until more rooms are available, particularly in the downtown area near the convention center. The number of rooms available for large groups is limited because of strong weekday commercial demand.

The outlook is for steady growth as business and industry continue to locate and expand in the area. While growth in the group/convention and tourist/transient segments is anticipated, it may be limited by short-term economic conditions that have limited pleasure travel, as well as by the current room supply.

John R. Weeman Jr.
Feliz P. Jarvis
Dallas

From Fort Worth

The opening of two major hotels in the central business district and the expansion of another downtown property yielded a record increase of almost 1,300 new rooms in the Fort Worth area during 1981. City-wide average occupancy was in the low 60 percent range, a drop of about 10 points compared with 1980. However, total occupied rooms increased about 45 percent over the 1980 level.

The city-wide average room rate rose from $31 in 1980 to $37 in 1981, an increase of almost 20 percent. This increase reflects the addition of the Hyatt Regency and the Americana Hotel, both with rates in excess of the market average.

The recent hotel construction boom has tapered off. However, several properties in the 100- to 200-room range are planned for the north, south and west sectors of the city.

In recent years, Fort Worth's ability to attract conventions has been impeded by its relative lack of quality hotel rooms. The recent increase in hotel rooms already has affected the convention market, as the Convention and Visitors Bureau is projecting an increase of more than 30 percent in conventions and events during 1982. The completion of a 100,000-square-foot expansion to the Tarrant County Convention Center also should stimulate convention business.

Occupancies should begin to climb as the market absorbs the new hotel rooms. The city's strong economy and location should facilitate continued growth in the foreseeable future.

John A. Montgomery
Margelia L. Jones
Dallas

From Houston

Houston's lodging industry demonstrated solid growth during 1981. City-wide occupancy for the year was 68.2 percent. While occupancy is down slightly from the 68.6 percent level for 1980, the number of rooms occupied increased as a result of additions to the lodging supply. Houston continues to maintain occupancy levels above the national average, which was 67.7 percent in 1981. The increase in the average room rate for 1981 was nearly 11 percent over 1980.

New hotel development and expansions activity has continued at a fairly steady pace. Seven new hotels and one expansion opened during 1981, adding 1,833 rooms to the supply. The 16 hotels and expansions currently under construction will add 5,020 rooms to the supply by 1984. These projects include:

- Two downtown hotels—the 430-room Four Season-Houston Center and the renovation of the Auditorium Hotel to the 94-room Lancaster, a luxury hotel. Both of these projects are scheduled to open in 1982.

- The 288-room Houston Place at Main and Holcombe, which opened in January 1982, is one of two projects in the Texas Medical Center area. The other is a 410-room Marriott, proposed for a site next to Scurlock Tower. This project is scheduled for completion by late 1983 or early 1984.
- The West Loop/Galleria area is the location for several new hotel projects. The Guest Quarters Galleria West, containing 349 suites, opened in January 1982. The 460-room Warwick Post Oak and the 248-room Remington, a luxury hotel located in the Post Oak Park development, are both expected to open by the end of 1982. Completion of the 514-room Inter-Continental Hotel is expected in 1983.
- The 129-room Crossroads Inn, which opened in early 1982, is the first of a number of new hotel developments to be completed in the North Belt/Airport area between 1982 and 1984. A 224-room expansion of the Host International and the 350-room L'Hotel Sofitel will open in 1982. The 200-room Ibis, the first American property for this European franchise, is projected to open in 1983. The 450-room Sheraton Royce is scheduled to open in 1984.
- A 100-room Best Western, currently under construction, will open in 1982.
- During 1982, 224 rooms at the Hilton Inn at Clear Lake are scheduled for completion.
- The 330-room Hilton Inn, under construction at Hobby Airport, is expected to open in 1983.
- The 400-room Holiday Inn-Park 10, currently under construction, is expected to open in 1984.

Numerous other projects are proposed throughout the city, but are in early planning stages.

Proposed renovation of facilities at the Astrodome complex and the proposed new Convention Center downtown, coupled with the aggressive marketing efforts of the Convention and Visitors Bureau, should continue to support strong growth in the convention market. Tourism is projected to increase moderately, with the most significant growth expected from international travelers, particularly Mexicans.

Demand for lodging facilities in Houston should continue to grow steadily during the next few years and provide strong market support for the new projects under development.

J. Paul DeMyer
Diane Parmerlee
Houston

From Indianapolis

The overall 1981 occupancy rate for lodging facilities in Indianapolis increased about 3 percent over 1980. This slight increase is a heartening development following two years of declining occupancies. Average rates during this same period increased about 7 percent.

Throughout this difficult period several hotel projects have gotten underway. The 150-room addition to the Holiday Inn-North was recently opened. Two properties on the northwest side are under construction: a 150-room Midway Motor Lodge and a 109-room Red Roof Inn. The Stouffer's Hotel in downtown Indianapolis was purchased by Aircoa and has been converted to a Sheraton. Finally, the Keystone area (north of Indianapolis) is the focal point of office and retail activity and continues to attract the interest of several lodging operators.

An addition to the Indianapolis Convention Center is now under construction. It consists of 82,500 square feet of meeting and exhibit space and a 63,000-seat domed stadium convertible to 95,000 square feet of exhibit space. This will provide a facility of 317,000 gross square feet, substantially increasing the competitive position of Indianapolis in the convention and group markets. Also, as part of an ongoing effort to become an important sports center, Indianapolis officials have promoted the development of several major sports facilities. These include the Indianapolis Sports Center, home of the U.S. Clay Court Championships, the Indiana University Natatorium and the recently completed Indiana University Track and Field Stadium. Indianapolis will host the U.S. Olympic Committee's 1982 National Sports Festival.

Another important development (closely related to the sports facilities at Indiana University) is the White River State Park, which is being planned for the area along the White River west of downtown. A canal acquisition program is underway, and 220 acres of the ultimate 260 have been acquired. In addition to scenic natural areas, the park will have a zoo, a performing arts center, botanical gardens and entertainment parks. All of these developments point to the continuing vitality of Indianapolis and a favorable outlook for its lodging industry.

Doug Hayward
Chicago

From Kansas City

Average occupancy for leading Kansas City area properties declined to 61 percent in 1981 from an average of 68 percent in 1980. The decline reflects decreases in commercial and convention business, as well as the effect of the two-and-a-half month closing of the 750-room Hyatt Regency following the collapse of two skywalks. Consistent with national trends, only moderate occupancy declines were experienced by other major Kansas City properties, generally ranging from two to five points. Total occupied rooms increased about 4 percent.

Convention activity declined 13 percent city-wide from 1980 levels, with a 20 percent decline in activity in the downtown area. Additionally, airport activity in 1981, as indicated by passenger departures and arrivals, declined 9 and 22 percent, respectively, from 1980 levels. In light of these significant decreases in key lodging demand indicators, the moderate occupancy decreases speak well for the marketing ability of area operators during 1981.

Convention bookings for 1982 events in Kansas City indicate that activity will return to or exceed 1980 levels. Airport activity is also recovering, with daily scheduled arrivals (as of April 1982) back up to 1980 service levels. As convention and airport activity increases, we anticipate moderate increases in demand for Kansas City area hotel properties during 1982.

The 350-room Doubletree Inn at

Corporate Woods in the southwestern metropolitan area opened in February 1982, representing the only major addition to the area room supply. The ground breaking ceremony for a 574-room Vista International Hotel, to be located in downtown Kansas City, Missouri adjacent to convention facilities, was held in spring 1982 with completion expected in late 1984. Preliminary considerations for the expansion of H. Roe Bartle Hall in downtown Kansas City also are underway. Other major new hotels (including Marriott, Granada Royale and Holiday Inn) have been proposed for the southwestern metropolitan area, where the majority of suburban commercial and residential development has recently taken place.

While the city's economy generally did not escape the effects of declining national economic activity during 1981, area hotel operators experienced only moderate occupancy decreases. With the recovery of many key indicators so far in 1982 and with limited additions to the room supply planned until at least 1984 or 1985, the Kansas City lodging industry should regain acceptable average market occupancy levels.

Jeff Marvel
Kansas City

From Las Vegas

Although the Las Vegas hospitality industry was affected by the national recession in 1981, area occupancies remained about eight percentage points higher than the national average. Area-wide occupancy was estimated to be about 76 percent. Hotels experienced occupancy levels exceeding 80 percent, while motels operated in the mid-60 percent range.

The hotel/motel room inventory reached 49,138 units in 1981, an increase of 1,255 rooms during the year. The additional room supply represented expansions to existing properties.

Despite the sluggish economy, during 1981 several area casino/hotels announced or began construction on a total of 1,700 new rooms together with additional meeting space, expanded restaurants, and casinos and recreational facilities.

Las Vegas traditionally has been known as a weekend destination. This image has been changing gradually during the past few years, with growth occurring in convention and group business in the area. While the 1981 total visitor volume decreased about 1 percent to 11.8 million visitors, convention delegate attendance increased almost 10 percent. More than 715,000 delegates attended conventions in Las Vegas in 1981. The expansion of the Convention Center is scheduled for completion in 1982, a project that will provide more than one million square feet of exhibit and meeting space. Excavation and construction of Cashman Field, the downtown convention and sports complex, began in 1981. It is scheduled to open within three years.

More emphasis was placed on the creation of special events in 1981. One of the highlights of the year's activities was the Caesars Palace Grand Prix. The inaugural running of this race car event was deemed a success, and plans were announced to make the race an annual event in Las Vegas each October.

Las Vegas' hotel and civic officials have recognized that they need to create ways that will make the city more appealing to a greater diversity of people worldwide. Intensive marketing programs and the creation of special events are being used to attract more visitors to Las Vegas during 1982 and in the future.

Richard G. Hyte
Las Vegas

From Los Angeles

First-class lodging facilities in Los Angeles and Orange County reported an area-wide occupancy of 77.6 percent during 1981. Although this is 4 percent below the 1980 level, the area's first-class lodging supply increased almost 9 percent during 1981. The net result was a healthy 4 percent increase in the number of first-class rooms sold during 1981 compared with 1980.

We believe that the recession had only a modest effect on area lodging demand during 1981. Some operators reported decreases in the number of commercial travelers and tourists, much of which was due to dilution by additions to the room supply. The 1981 area-wide average room rate was $59.50, about 16 percent above 1980.

The local economy continues to support the area's supply of lodging facilities. Increases in foreign exports from Southern California and new defense contracts for area corporations have been important contributors to a healthy local economy. Hotel developers continue to show interest in areas where new office construction is underway, including downtown Los Angeles, the Los Angeles International Airport, Century City and John Wayne Airport.

In 1982, ground was broken for the following projects:

- A 542-room Hyatt Regency in downtown Long Beach.
- A 525-room Sheraton Hotel in downtown Los Angeles.
- Two Granada Royale Hometels, a 201-room facility in Buena Park and a 300-room property at the Los Angeles International Airport.
- A 1,200-room Hilton Hotel at the Los Angeles International Airport.
- A 501-room Marriott Hotel at the John Wayne Airport in Orange County.

New hotels that opened (or will open) in the greater Los Angeles area during 1982 included the 231-room Thunderbird Red Lion in Ontario, the 298-room Sheraton Industry Hills Resort Hotel and the 280-room Hilton Inn at the Burbank Airport.

A variety of new developments will have a positive effect on tourism and the demand for local lodging facilities in the coming years. The Los Angeles International Airport is undergoing a $700 million renovation and expansion, with completion scheduled in time for the 1984 Summer Olympics. In Long Beach, a $10-million renovation of the Queen Mary is being completed by the Wrather Corporation. They also are opening a new exhibit featuring the new Spruce Goose, the giant aircraft created by the late Howard Hughes. In Orange County, a 100,000-square-foot addition to the Anaheim Convention Center is underway. Convention attendance there

was up 11.7 percent in 1981 over 1980; a record 1,582,000 visitors came to the center.

During the first half of 1982, area operators reported further erosion in occupancy levels. Although 1982 area-wide occupancies will likely be one to two points lower overall than those of 1981, we do not project a significant decline in the overall lodging demand. Business probably will remain steady until the nation recovers from the general economic recession.

Thomas M. Goff
Gordon R. Watkins
Los Angeles

From Milwaukee

The 1981 results for the Milwaukee area lodging industry remained essentially the same as in 1980. This is somewhat encouraging in view of the year's less-than-ideal economic conditions, especially for the cities of the Midwest. Average daily room rates in the area increased only slightly, so hotel operators strove constantly to keep pace with spiraling costs.

During 1981, hotels in Milwaukee's central business district experienced an overall increase in occupancy of about three points over the previous year while the average daily room rate decreased. The prognosis for the downtown properties is very encouraging, since efforts are being made to redevelop the area, especially west of the Milwaukee River, which divides the central business district. One of the most significant developments in the downtown area is the Grand Avenue project, which connects four blocks of existing and new retail space via an enclosed second-story skywalk. Hotel managers are optimistic that this project will bolster occupancies and food and beverage sales.

Hotels in the suburban areas west and north of the central business district did well during 1981 compared with properties downtown. Occupancy was generally in the mid-70 to low 80 percent range, which was about on par with 1980 results. Average room rates increased about 10 percent. The relatively high occupancy and room rates for the area are the result of the region's historical and current development activity. In anticipation of continued growth in Milwaukee's western and northern suburbs, developers are planning and building new lodging facilities. In October 1981, for example, Midway Motor Lodges, which uses the Best Western referral services, opened a 127-room property in conjunction with their headquarters facility in the western suburb of Brookfield. A 135-room Midway Motor Lodge also is being built in northern Milwaukee and is expected to be completed in mid-1983. Other suburban projects currently in the planning stages include a 325-room Radisson Hotel to the west and a Budgetel to the north. Another budget property is rumored for Wauwatosa in the western suburbs.

South of the central business district but still in the city is a cluster of lodging facilities near the airport. The area has a concentration of full-service and budget motels. These properties experienced a slight increase in occupancy during 1981 compared with the previous year, and nearly a 15 percent increase in the average room rate. Although the airport area is not expected to experience the growth associated with the western or northern suburbs, occupancy should remain stable during the next year, especially since no additions to the room supply are planned.

The future of the lodging industry in Milwaukee will depend considerably on the economic strength of the Midwest and the nation. Major commercial development downtown and in the western and northern suburbs shows that money is now being invested in anticipation of a strong future economy. This bodes well for the lodging industry in Milwaukee.

Richard Conti
Brent Ballard
Chicago

From Minneapolis/St. Paul

The Twin Cities lodging industry continued to grow during 1981 despite the nation's unfavorable economy. The number of occupied rooms increased about 4 percent while metropolitan area occupancies decreased an average of 7 points below 1980 levels to 61 percent, the result of the introduction of 2,261 new rooms into the area supply. Convention attendance increased in Minneapolis and St. Paul during 1981, while air passenger traffic through the Twin Cities declined below 1980 levels most of the year, before showing increases after September.

In 1981, the 534-room Hyatt Regency and Trade Mart opened in downtown Minneapolis, replacing the 531-room Radisson Minneapolis (which closed late in the year) and contributing to the downtown area's supply of convention rooms. Two Holiday Inns and a Best Western, as well as five budget motels, opened in 1981. At least an additional 2,500 new rooms will be added to the Twin Cities room supply by mid-1985. The largest projects will be in downtown Minneapolis: the 600-room Amfac Hotel City Center in 1984 and the new 650-room Radisson Minneapolis in 1985. At least 20 other projects totaling 4,500 rooms have been announced or are in various stages of planning.

The luxury class or "carriage house" lodging concept is being examined by several developers in the Twin Cities. The 24-room Nicollet Island Inn (1982) near downtown Minneapolis and the 260-room St. Paul Hotel in downtown St. Paul (1983) are being developed as such facilities. The Hyatt Regency now has an area devoted to the luxury class traveler, offering additional amenities and service, as will the Amfac and Radisson. A number of proposals have been made for the renovation of existing buildings into the carriage house concept.

At the other end of the lodging spectrum, the overall budget motel occupancy declined about three points to 69 percent in 1981, following a 658-room increase in the budget room supply. That supply has more than tripled in less than two years to 13 properties with 1,615 rooms, representing seven budget lodging chains and about 12 percent of the entire 1981 Twin Cities room inventory.

Average room rate increases slowed to an approximate 8.5 percent increase in 1981, reaching about $44.70 for full service properties and $27.75 for budget motels. Future room rate increases are expected to be less rapid, due to economic conditions and increased competition, es-

pecially from budget motels. Food and beverage sales increased about 4.5 percent.

Economic conditions in outstate Minnesota were not as favorable as in the Twin Cities during 1981. The northern portions of the state, most notably the "Iron Range" and Duluth, are severely depressed economically, primarily due to a dramatic decrease in the demand for iron ore and steel processing. Pleasure travel trends, however, were favorable in 1981. Minnesota's resort industry reportedly had an excellent year. Official revenue reports indicate that sales from Minnesota's lodging industry showed substantial real growth above inflation during the summer months, following a sluggish 1981 first half.

Stephen W. Sherf
Michael P. Branigan
Minneapolis

From Mobile

The market for lodging facilities in Mobile remains strong despite a decline of about 6 percent in the citywide occupancy during 1981. The area occupancies in 1981, by sector, were 75 to 78 percent west of the city along Interstate 65, 60 to 63 percent south of the city along Interstate 10, and 57 to 60 percent in downtown Mobile. This decline is attributed primarily to a recessionary economy, which has resulted in decreased commercial activity and associated travel as well as a cutback in vacation travel.

Despite the slow year in 1981, optimism remains high. Several larger industries have announced modernization and expansion plans, and activity has increased in oil and gas exploration. Interstate 65 from Mobile to Montgomery and the barge channel into the rapidly developing Theodore Industrial Park have been completed, and the Tennessee Tombigbee project, which will link the Port of Mobile with more than 16,000 miles of navigable inland waters, is progressing.

Mobile's largest concentration of hotel rooms is at the Airport Boulevard interchange of Interstate 65. The 83-room Family Inn, which opened in June 1981, experienced occupancy of about 80 percent during its first six months of operation. A 109-unit hotel (rumored to have a Roadstar affiliation) under construction is expected to open in fall 1982, while the Holiday Inn and Ramada Inn are considering expansion of their facilities.

Elsewhere, the 376-room Riverview Plaza is under construction in downtown Mobile, and a Motel 6 property opened in late spring 1982. Mobile officials hope that the Riverview Plaza, managed by Stouffer, will attract convention demand to help the depressed occupancy levels of downtown hotels, as well as stimulate revitalization efforts in the downtown area.

Based on the anticipated growth and development of commercial activity, particularly relating to the city's increasing presence as a port, the lodging industry should continue to grow in the foreseeable future. Many operators are already planning for 1984.

William G. Moeckel
John J. Tillapaugh
Atlanta

From Nashville

Nashville is nationally known as the home of Opryland, the Grand Ole Opry and the Country Music Hall of Fame. Unlike many major tourist destinations, the city's lodging industry is not subject to severe seasonal fluctuations, because of consistently strong levels of commercial demand and a growing convention/group meeting market.

During 1981, area occupancies decreased 2 to 3 percent, resulting in an aggregate occupancy of 67 to 69 percent, while the average room rate increased 10 to 13 percent. The decline in occupancy is attributed primarily to the addition of new hotel rooms and the national recession.

Additions to the area room supply included a 400-room Holiday Inn, a 420-room Marriott Hotel and the 112-suite Hermitage House. Both the Holiday Inn and the Marriott Hotel are located on Briley Parkway near Interstate 40, Opryland, the Nashville Airport and the 615-room Opryland Hotel. The Hermitage House opened in early 1982 following a massive restoration effort on this historic structure. The property is located in the center of downtown Nashville and offers some of the most luxurious accommodations in the area.

The Opryland Hotel continues to be the most successful hotel in Nashville, combining a large concentration of meeting space with its attractive location adjacent to Opryland. The owners have begun a $40 million expansion program, which will include 420 additional guest rooms and approximately 100,000 square feet of function space. This expansion is expected to be complete in late 1983. In addition to this project, a new 120-room La Quinta Motor Inn, located in south Nashville, opened in spring 1982.

Speculation continues about plans to construct a convention center in downtown Nashville. The site currently designated for this development is within two blocks of the Hyatt, Hermitage House and Radisson Hotels, which, along with a proposed 700-room hotel adjacent to the center, would provide an attractive supply of first-class accommodations for conventions. Recognizing that the growth of the other segments of lodging demand in downtown Nashville has slowed in recent years, partly as a result of increased suburban competition, the increase in group meeting demand appears essential to ensure the long-term success of these properties. The convention center development also would enhance a deteriorating pocket of downtown Nashville and stimulate a revitalization effort throughout other areas.

Future growth in the overall demand for hotel rooms in Nashville depends largely on the availability of meeting facilities and related accommodations. While moderate growth is projected for the tourist and commercial demand segments, group meeting demand should have a greater impact during the next five to ten years. The World's Fair in Knoxville should help increase tourism to Nashville in 1982. The increasing popularity of the Sunbelt region and Nashville's diverse economy should lead to the future growth of the commercial demand segment. Based on these factors and the continued growth in other areas of Nashville's economy, the lodging in-

dustry should experience continued levels of growth in overall demand.

William G. Moeckel
John J. Tillapaugh
Atlanta

From New Orleans

For New Orleans lodging facilities, 1981 was a successful year. Year-end occupancy for the area as a whole was 74.6 percent, lagging behind 1980 by only .4 percentage points. This slight decline was primarily the result of an overall decrease in convention and tourist activity compared with 1980, which was considered an exceptional year. The average room rate for 1981 was $56.73, an increase of 12.5 percent over 1980. Total sales increased 12 percent between 1980 and 1981, with significant increases in room and food revenue creating most of this gain.

Nearly 619,000 delegates attended conventions in New Orleans in 1981, down from the preceeding year. Construction has begun on a new convention center on a riverfront site south of the New Orleans Hilton. This facility, which will offer a 350,000-square-foot exhibit hall, is scheduled to open in early 1984 and will serve as the Louisiana State Pavilion during the Louisiana World's Fair Exposition that year. Advance bookings for the center are strong and should affect the lodging market very favorably, particularly in the downtown area.

The Louisiana World's Fair Exposition is scheduled to run from May through November 1984. The fair's management team estimates that it will attract 11 million visitors, of which 8 percent will be international visitors. In addition to this short-term impact, the publicity generated by the event should have a favorable effect on tourism in the future.

Although no major new hotel development occurred during 1981, the new convention center and expanding office development have stimulated interest in hotel development, particularly in the central business district. The 1,200-room Sheraton New Orleans Hotel, currently under construction on Canal Street, will open in phases, with some rooms available by late 1982 or early 1983. Inter-Continental Hotels is constructing a 472-room hotel on St. Charles adjacent to the Pan American Life Center. Opening is projected for 1983. A 450-room expansion of the New Orleans Hilton is expected to open in late 1983 or early 1984. The Canal Place mixed-use development will contain a 500-room Trusthouse Forte hotel, projected to open in May 1984. A number of other projects are proposed for the area, including an all-suite hotel and several major chain-affiliated properties.

Continued growth in all sectors of lodging demand resulting from an expanding commercial base and the development of the new convention center will sustain future lodging development. While occupancy percentages for the area as a whole are not expected to increase significantly, the increase in occupied rooms resulting from the development of new hotels should be significant. The average room rate should continue to increase in the near future. However, as new hotels are developed, stimulating competition, these increases should fall into line with national trends.

Diane Parmerlee
Houston

From New York

In 1979, New York's 51 major hotels reported the highest occupancy level since 1950 at 82.5 percent. By comparison, occupancy for the 57 major hotels in 1982 is projected to be between 70 and 71 percent. The decreased occupancy has resulted from increased room supply (5,370 additional rooms in six properties) and decreased demand (30,082 rooms occupied per night in 1982 compared with 30,773 in 1979).

The six new properties (Vista, Grand Hyatt, Harley, Parker Meridien, Palace and Milford Plaza) represent a 14.4 percent increase in room supply, the largest since 1962. Between 1962 and 1980, only 1,500 new rooms were added.

Demand has decreased for a number of reasons, including the strength of the U.S. dollar compared with most other currencies, shortened length of stay (especially for conventions and groups) and the effects of the recession. The stronger dollar has affected New York more than any other U.S. city because almost 80 percent of international visitors from countries other than Canada and Mexico travel through New York.

The decreased occupancy has resulted in smaller increases in average rate per occupied room. After several years of 15 to 19 percent rate increases, rates have increased only about 9 percent in 1982. This is high relative to the inflation rate, but is affected by the high cost of debt and the new properties' required rates of return. They have been forced to raise rates to offset occupancies that are lower than anticipated. The older hotels have followed this trend.

Hotel operators have reacted aggressively to the unfavorable economic climate by canceling or postponing refurbishing projects, negotiating layoffs and requesting "givebacks" from the union.

The outlook is brighter, however. Most economists are projecting an improved economy and lower interest rates by 1983, which will weaken the U.S. dollar somewhat. Also, the New York Convention and Exposition Center, the largest such facility in the country, will open in 1983. These factors should result in an increase in the occupancy level to approximately 72 or 73 percent in 1983, with further increases in 1984 and 1985.

A number of chains (both domestic and international) are looking at opportunities in New York, including new construction and renovation of existing structures. Interest is focused on the areas around the Convention and Exposition Center and Third Avenue on the Upper East Side. There are no hotels in the immediate proximity of the exposition center, and nine new office structures are under construction on New York's East Side. There also is interest in hotel development in Lower Manhattan, currently served only by the Vista.

In summary, the past three years have been years of declining occupancy caused by increased supply and decreased demand. The outlook is for slightly increased occupancy in 1983, with further increases in 1984 and 1985.

Bjorn Hanson
New York

From Oklahoma City

In 1981, the lodging industry in Oklahoma City included 53 properties with a total of more than 8,000 rooms. The city-wide average room rate was about $36 and average annual occupancy was 70 percent. The average room rate increased 14 percent, while the average number of occupied rooms increased 17 percent compared with 1980.

Approximately 500 rooms were added to the room supply during 1981, including:

- The 52-room American Inn, which opened in December.
- The 150-room Hall of Fame Inn, which reopened in September after being totally renovated.
- The 144-suite Lexington Motor Inn, which opened in the fall in the I-40/Meridian area.
- The 151-room Sleepy Peddler Inn, also located in the I-40/Meridian area.

This represents an increase of about 7 percent over the 1980 supply. Another 672 rooms will be added during 1982, with 1,250 rooms to become available between 1983 and 1985. The 1982 additions include:

- The 207-room Holiday Inn-Downtown, which opened March 1.
- The 237-suite Park Suite Hotel, located in the I-40/Meridian area, which opened in October. It features a 6,000-square-foot ballroom.
- The 93-room Crosswinds Inn-Northwest, which opened February 4.
- The 70-room Coachman Motor Inn, which opened in the northeast sector of the city along I-35 in early 1982.
- The Coachman Inn-West, located in the I-40/Meridian area, which added 45 rooms to its existing 116 rooms.
- The Days Inn on MacArthur Boulevard adjacent to the Coachman Inn-West, which added 20 rooms to its existing 122 rooms.

Oklahoma City, like many Sunbelt cities, is enjoying economic growth. While oil and gas activity provides the major support, state government, manufacturing and trade also are significant factors. However, the recent slowdown in the oil industry and layoffs at transportation-related facilities contributed to a 4.7 percent unemployment rate during the first quarter of 1982 compared with 3.3 percent in 1981.

Hotel development trends in the Oklahoma City area indicate strong interest in properties with more extensive, high quality facilities and services. National hotel chains evaluating the market include Marriott, Granada Royale Hometel, Ramada-Renaissance, Sheraton and Trusthouse Forte. This is primarily a result of the increased commercial demand generated by office development, as well as the limited number of first-class facilities available in the city.

Strong occupancy levels occur during the business week. Weekend demand declines significantly and is concentrated primarily along the interstate highways and in the I-40/Meridian area, which offers a variety of hotels, restaurants and entertainment.

Oklahoma City is in transition. There is strong desire to retain its Western heritage, as exhibited by the demand for rodeos and similar events. However, the energy industry boom has attracted people with new development ideas and different hospitality needs. This combination should be considered in future hotel projects.

John A. Montgomery
Michael P. Meller
Dallas

From Orlando

The Greater Orlando area continues to grow at a rapid pace. The primary catalyst is Walt Disney World's Experimental Prototype Community of Tomorrow (EPCOT), which opened October 1, 1982. The $800 million project is expected to attract more than eight million additional visitors to the Greater Orlando area annually and increase average length of stay in area hotels by one to two days.

Other major developments that will contribute to the overall strength of the lodging market include:

- The 325,000-square-foot Orange County Convention/Civic Center, located midway between Orlando and Walt Disney World, is scheduled to open in March 1983. Thirty conventions have been confirmed for 1983 and 1984 and are expected to bring about 150,000 delegates to the Orlando area.
- A $450 million terminal at the Orlando International Airport was completed in September 1981, resulting in an increase in the number of airlines and cities served by the airport and significantly improving access to the area.
- Sea World, the only major central Florida tourist attraction that reported an increase in attendance during 1981, opened a new $1.7 million playground for children called Cap'n Kids' and made changes to two major shows during 1981. There are no major capital expansions planned for 1982, but Sea World officials report that a hotel partner may be announced in late 1982.
- The first phase of Universal City Florida, a proposed $100 million to $200 million attraction to be built by MCA, Inc., is scheduled for completion in late 1984. This complex will provide tours of movie sound stages, backlots and production facilities.
- A $3.5 million renovation of the downtown Expo Centre will be completed in fall 1982. A proposed 300-room Ramada Renaissance Hotel will be located adjacent to the centre and serve as the headquarters for conventions.
- Several time-share resorts are currently being developed. The Orlando area reportedly is one of the highest demand areas in the world for time-share resort accommodations.

New hotel development will be concentrated in five areas:

- Disney World: A total of 650 rooms are expected to be added to existing hotels by 1984. A 700-room "Mediterranean" Hotel is planned for a later date.
- Lake Buena Vista: The 870-room Buena Vista Palace is under construction and scheduled for completion in mid-1983. The proposed 814-room Hilton Hotel and a 629-room Loews Hotel are expected to open in mid-1984. Current plans for the Cypress Walk Development, adjacent to Lake Buena Vista, include a 750-room Hyatt Regency (scheduled to open in mid-1984).
- New EPCOT Interchange: Several major developers are interested in building hotels within the Green Project, which is located immediately

south of the new interchange. These new hotels are expected to cater to tourists who visit EPCOT.

- Florida Center/International Drive: While plans have not been announced, the development plan for Plaza International (the project surrounding the new convention center) indicates that 5,000 to 8,000 hotel rooms are proposed to be built by 1990. Just south of Plaza International (near Sea World), a $20 million, 500-room addition to the 319-room Sheraton World is underway and scheduled for completion in December 1982. The Orlando Marriott Inn is adding 439 rooms to the existing 640-room property, with completion also scheduled for December.
- U.S. Highway 192: A 202-room Howard Johnson's is under construction and scheduled for completion in early 1983. The Holiday Inn-West of Disney is expected to add 198 rooms by 1984.

The Greater Orlando area's 1981 occupancy level was 66.8 percent, 4.6 percent below 1980 results. After a crippling first quarter, during which occupancies declined more than 11 percent due to unseasonably cold Florida weather, the high cost of travel and the effects of the sluggish national economy, the hotel industry experienced a gradual comeback. The average room rate increased 9.5 percent in 1981 to $37.32. This is a sharp contrast with 1980, when average room rates increased about 17 percent compared with 1979. Significant trends experienced by the hotel industry in 1980 continued during 1981. These included increases in international visitors to the Greater Orlando area and increases in the number of close-to-home vacations.

For the first quarter of 1982, greater Orlando area occupancy was 70.2 percent, a 1.1 percent decrease compared with 1981. This decrease was attributable primarily to a 11.7 percent decline in occupancy during January 1982. However, February and March 1982 occupancies increased about 2 percent compared with 1981 due to the lower cost of air and automobile travel, and the $750,000 in emergency funds used in a television marketing campaign that promoted Florida in 26 major markets in the North and Midwest. The average room rate in the Greater Orlando area increased 4.6 percent to $41.92. During the second and third quarters of 1982, occupancies are expected to remain stable compared with 1981. However, during the fourth quarter of 1982, occupancies are expected to increase somewhat due to the October opening of EPCOT. As in 1981, the increase in room rates is expected to be less than 10 percent.

Gary Renfrow
Joel Eisemann
Tampa

From Philadelphia

The Philadelphia lodging industry is in a renaissance that began in 1979 with the closing of several older, marginally successful hotel properties, the renovation and restoration of many center city landmark properties to first-class standards, and construction of new properties, scheduled for completion in early to mid-1983. During 1981, overall city-wide occupancy showed the first annual average increase in two years, up to 64 percent, a 6.7 percent increase from the 60 percent levels of 1979 and 1980.

The Philadelphia room supply at year-end 1981 was about 5,200 first-class guest rooms, up slightly from the previous year. The elimination of the outdated, underutilized Benjamin Franklin and Drake Hotels by mid-1980 (approximately 1,400 rooms) was somewhat offset by the addition of the 800-room Franklin Plaza Hotel, which became fully operational by year-end 1980. During the past year, the Philadelphia Centre Hotel (formerly the Philadelphia Sheraton) and the Plaza Hotel (Trusthouse Forte) began major renovation/conversion programs. The Philadelphia Centre Hotel, slightly larger in terms of total available rooms than the Franklin Plaza, brings a new management group, Tollman-Hundley Hotels, to Philadelphia. The classic 565-room Bellevue-Stratford is rapidly being reestablished by Westin Hotels management as one of Philadelphia's finest, appealing to a cross section of both commercial and convention/group meeting markets.

Although overall city-wide occupancy and the total Philadelphia room supply exhibited positive signs at year-end, total room night demand decreased slightly. Many of these room nights represented the price-sensitive commercial traveler who, with the elimination of the lower priced Benjamin Franklin Hotel and the healthy increase in rates among other center city hotels, has sought accommodations in the budget properties located along major access routes to Philadelphia in New Jersey and Pennsylvania suburbs. Also, demand was lost (particularly during peak periods) due to the renovation/conversion work at the Philadelphia Centre and Plaza Hotels.

No new additions to the current inventory are scheduled to open until 1983. This fact, combined with the projected moderate growth in demand from the commercial, tourist and through-traveler segments, the continued significant increase in convention and group meeting demand and additional demand resulting from celebration of Philadelphia's Tricentennial, should produce a fairly good year for area hoteliers.

City-wide average room rates in Philadelphia hotels increased a healthy 16 percent from $45.40 in 1980 to $52.75 in 1981. Aside from normal inflationary increases, this was due largely to the upgrading of a large number of lower priced rooms to higher priced renovated or new rooms.

Three hotels now under construction and expected to open in 1983 include the 377-room Four Seasons Hotel, the 451-room Hershey Philadelphia Hotel and the 360-room Hotel Rittenhouse (Vista). Several other hotels have been proposed.

Two hotels located in the City Line area, just outside center city, are under construction. A 350-room City Line Best Western is almost fully operational. This property should compete favorably for price-sensitive business travelers who want to avoid the higher priced downtown properties. The St. Louis-based HBE Corporation recently purchased the 500-room Holiday Inn-City Line and plans a $30 million renovation including all guest rooms and public areas, the addition of 15,000 square feet of exhibition and shopping space, and conversion of the existing rooftop restaurant to

six hospitality suites. It will be called the Adam's Mark Hotel.

Other developments are underway that could affect Philadelphia lodging demand significantly. The city is providing funds to study the feasibility of developing a new convention center. Detractors criticize the existing 378,000-square-foot Philadelphia Civic Center as not being readily accessible to downtown hotels and, thus, inconvenient for convention attendees. With the supply of first-class guest rooms increasing to almost 6,500 by year-end 1983, Philadelphia must enhance its competitive position as a regional, state and national convention destination. The addition of a new convention center could possibly support the development of an additional major 800- to 1,000-room convention hotel.

The City of Philadelphia recently was authorized to impose a hotel room tax of up to 3 percent, the revenue from which will be used to further promote the city as a tourist, convention and group meeting destination.

Overall, the outlook of hotel operators throughout metropolitan Philadelphia is one of tempered optimism. The combined commitment of both private hotel developers and operators and city and state public officials to enhance Philadelphia's position as a tourist destination and convention and group meeting site bodes well for the future of the city's lodging industry.

Peter R. Tyson
Michael French
Philadelphia

From Pittsburgh

According to the May 1982 issue of *Fortune* magazine, 19 of the 500 largest industrial corporations in the United States are headquartered in Pittsburgh, which places the city third (behind New York and Chicago) in terms of the number of major corporations headquartered in the city. As a result, most of the demand for rooms in the Pittsburgh area is from business travelers and corporate groups. There is a small demand for rooms by tourists, and the area has a limited capacity to handle large convention groups.

The demand for rooms is primarily Monday through Thursday nights, which is to be expected in a commercial market, and room demand is more limited on weekends. For 1981, overall average annual occupancy for the Greater Pittsburgh area is estimated to be 66 percent with an average room rate of about $41, according to L&H's *Pennsylvania Trend of Business in the Lodging Industry*.

The demand for rooms from convention groups also should expand as meeting facilities for large groups become available. The David L. Lawrence Convention Center opened in February 1981. It has 131,000 square feet of exposition space and an additional 42,000 square feet of meeting rooms, enabling the city to serve groups that previously could not be accommodated. However, its impact on room demand has been somewhat limited to date. Pre-selling efforts were affected by construction delays, and the proposed 619-room Vista International Hotel (to be located adjacent to the center) has not been developed as quickly as expected. Though not yet under construction, this hotel should be a catalyst in bringing more groups to the city.

Room capacity in the central business district is relatively limited since there are only three major properties: the Hilton (790 rooms), Hyatt (404 rooms) and William Penn (868 rooms). One new property was added in September 1981, the 297-room Sheraton at Station Square, across the Monogahela River from downtown. Several other developers are evaluating the downtown market.

Most hotels outside the central business district are concentrated in three areas: the Greater Pittsburgh International Airport (15 miles west of downtown), Greentree (a suburban area three miles west of downtown), and Monroeville (about 15 miles east of downtown). Reports from hotels in these areas are varied, with some properties reporting annual occupancies in the 70 percent range for 1981 and others as low as the 50 percent range. Road construction on the Parkway East, the main link between downtown Pittsburgh and the Pennsylvania Turnpike, is one factor contributing to the sluggish business in the Monroeville area.

Midway through 1982, many hotel operators have a wait and see attitude about the balance of the year. Some groups have reduced their room blocks and some business travelers have cut their length of stay. Overall, however, hoteliers hope to meet or exceed the occupancy levels achieved in 1981 and increase average room rates.

Nancy Landino
Executive Offices
Philadelphia

From Raleigh

The historically strong, consistent growth in commercial lodging demand in Raleigh, North Carolina has resulted in a significant increase in the supply of rooms. Previously, the city's hotel inventory was characterized primarily by small motel properties that offered limited food and beverage service, as well as meeting facilities. However, the circumstances have changed dramatically.

In addition to the expansion and renovation of the Sheraton-Crabtree Valley Hotel, the 303-room, full-service Raleigh Marriott opened in early 1982. The latter facility also is located in Crabtree Valley, a rapidly growing area for all forms of land use. Another recently opened property is the 360-room Radisson Plaza-Raleigh, a first-class, high-rise hotel near the Civic Center in the central business district. Under construction in northern Raleigh is a 281-room Hilton Inn (with extensive meeting space), which is scheduled for completion in early 1983. Developers have announced the construction of a 257-room Ramada Renaissance Hotel. This upscale facility is to be located near the North Carolina State Fairgrounds in western Raleigh, and should open in late 1983. These developments will enable Raleigh to compete on a greatly expanded basis within the regional group meeting market.

Other lodging developments include a 75-room expansion to the Governor's Inn, at Research Triangle Park, and a 77-room expansion plus a total renovation at the Holiday Inn-North. The Mission Valley Inn recently opened a 20,000-square foot exhibit hall. In neighboring Chapel Hill, the 172-room Europa Hotel, a first-class

transient facility, is now open. In Durham, a 200-room Sheraton Inn is under construction, with completion expected in spring 1983.

Research Triangle Park comprises the area's most important generator of lodging demand. This sprawling complex, a high technology center of national prominence, continues to expand rapidly. The terminal addition has opened at Raleigh-Durham Airport, tripling the size of the previous facility. Office and light manufacturing development continues in all sectors of Greater Raleigh, with the Crabtree Valley area being a major focal point.

Area-wide occupancy in 1981 declined to about 69 percent, a decrease of about three points from 1980, as the national recession began to affect the economy of the Carolinas. Average room rates increased approximately 8 percent. Area operators are projecting a further decrease in occupancy in 1982 and 1983 as new rooms are absorbed by the market.

Prospects for the future are positive, with continued commercial growth, especially among high technology and research companies. The substantial additions to the supply of guest rooms and meeting space should allow Raleigh to capture more association business.

William J. Spears
Charlotte

David T. Neises
Atlanta

From St. Louis

The St. Louis lodging industry experienced declining occupancy levels throughout 1981 as a result of the nationwide recession. There was a 2 percent decrease in total revenue for the year despite the modest 7 percent increase in average daily room rate. However, these results should be considered in light of recent additions to the lodging supply.

While occupancy in the downtown area decreased nearly 5 percent, the actual number of room nights rose 3 percent. Additions to the room supply in downtown St. Louis during 1981 included:

- The 300-room Radisson Hotel adjacent to Cervantes Convention Center, which opened in late May.
- A 330-room addition to the Marriott Pavilion Hotel, which opened in October.

The following projects are in various stages of development in the downtown area:

- The 875-room Stouffer's Riverfront Towers, recently acquired by Civic Center Redevelopment Corporation, is planning extensive renovation and expansion.
- As reported last year, Oppenheimer Properties of New York and the Rouse Company are combining their talents to redevelop historic Union Station. Financing difficulties have delayed construction of the project, planned to include a 550-room Omni International Hotel and 200,000 square feet of commercial space.
- A 750-room Adam's Mark Hotel will be built on the site of the Pierce Building, which was purchased by the HBE Corporation of St. Louis. Groundbreaking is expected in early 1984.

Tight financial markets have hampered development of the 288-room Granada Royale Hometel and 300-room Hyatt Hotel proposed for the Laclede's Landing redevelopment area along the riverfront.

Many properties in the St. Louis-Lambert International Airport area have undergone extensive renovations as operators attempt to compete with new construction by strengthening their market positions. Breckenridge Hotels Corporation broke ground in December for its 400-room Breckenridge Concourse Hotel, expected to open in early 1983. A 200-room addition is being considered for future development. The 65-room Oakland Park Inn and the Marriott Airport Hotel's 180-room expansion both opened in April 1981. Indicative of continuing efforts to provide first-class accommodations in the airport area are continuing plans for a 140-room expansion and extensive renovation of Stan Musial and Biggie's Hilton Inn.

Although popularized by substantial residential and retail redevelopment, the midtown area experienced limited hotel activity in 1981. The historic Chase-Park Plaza Hotel, purchased in May, is undergoing renovation by the new owners. A number of alternatives are under consideration for the Park Plaza side of the hotel, ranging from continued hotel operations to luxury condominium conversion.

In the Clayton area, owners of the 80-room Daniel Hotel are considering a 60-room addition in conjunction with substantial renovation. Construction of the Galleria complex, planned to include a 415-room Westin Hotel, has been halted.

There was no new hotel development in west St. Louis County during 1981, although the 315-room Holiday Inn-Westport and 212-room Sheraton Plaza both opened in late 1980. Despite these additions, the West County lodging market maintained the highest occupancy level within the metropolitan area throughout the year. Current development activity includes a 50-room addition to the Budgetel Inn, which is expected to be completed in late 1982. Breckenridge Hotels Corporation recently began construction on a 225-room executive conference center.

Lodging development activity in southwest St. Louis County increased during 1981. McMahon Architects is proceeding with plans for a 200-room Sheraton Hotel at Highway 21 west of Interstate 270. H.R. Hospitality of Houston purchased the Holiday Inn on Lindbergh Boulevard and, following extensive renovation, converted it to a Rodeway Inn. The Best Western Viking Lodge is contemplating expansion of guest rooms and meeting facilities.

As the fastest growing county in the metropolitan area, St. Charles has attracted the interest of many hotel developers. The 200-room Holiday Inn-St. Charles is under construction and expected to be completed in early 1983. Developers of Seventy Corporate Plaza plan to include a 125-room motor inn in the 125-acre mixed-use complex, located in Wentzville.

Other hotel development in the metropolitan area includes:

- The 140-room Holiday Inn in Alton, Illinois, expected to open in August 1982.
- Plans for a 150-room hotel to be located at Civic Memorial Airport in Bethalto, Illinois.

As the National Association of Meeting Planners recently noted, a first-class convention facility, central geographic location and comparably lower overall costs per delegate make

St. Louis an attractive meeting site. These factors, combined with substantial new construction activity, provide a basis for optimism regarding future hotel development in the St. Louis metropolitan area.

Felix J. Cacciato
St. Louis

From Salt Lake City

Leading Salt Lake City area hotels experienced a combined 1981 occupancy of about 73 percent, the same level recorded for the two previous years despite the addition of about 700 new first-class rooms during the same period.

In 1981, there were about 7,200 hotel and motel rooms in Salt Lake City, of which more than 56 percent were first-class, downtown hotel rooms. Construction of an additional 2,000 rooms, most of which would accommodate business travelers, is planned for the next few years.

Major industries in Salt Lake City include mining, energy development and manufacturing. The proximity of the city to the energy fields in the Mountain West has encouraged many energy and mining companies to establish headquarters in the Salt Lake valley.

Several redevelopment projects have been built in downtown Salt Lake City. Among the projects already completed are two of the largest indoor shopping malls in the country, both of which are located in the central business district.

A major expansion plan for the Salt Palace, the city's convention, sports and cultural complex, was approved in late 1981. When completed, the complex's meeting and exhibit space will have been tripled to a total of more than 200,000 square feet. More meeting and exhibit space will be available in the Trademart, a separate project scheduled for completion by late 1982. The Trademart is located across from the Salt Palace in the downtown area. It will accommodate regional trade shows and sales offices for major retailers.

As the seat of The Church of Jesus Christ of Latter-day Saints, Salt Lake City traditionally has been a popular tourist destination. In recent years, more than 1.5 million visitors a year have visited the Salt Lake Temple and Tabernacle. In addition to the city's attractions, there are five major ski areas located within an hour drive of the downtown area and eleven throughout Utah.

The growing and diversifying Salt Lake area economy is expected to support continued lodging development and growth in market demand during the next several years.

Richard G. Hyte
Las Vegas

From San Antonio

The San Antonio lodging industry continued to prosper throughout 1981. City-wide occupancy at year-end was 70.3 percent, 1.6 percentage points over the 1980 level of 68.7 percent.

The 1981 city-wide average rate for San Antonio was $40.41, a 14.2 percent increase over the 1980 average rate of $35.37. The increase in average rate ranged by sectors within the city from 8.5 percent to 16.3 percent. Rate increases during 1981 reflected the impact of inflation on operating costs, as well as increased demand from the commercial market.

Major developments announced or completed in 1981 that could affect convention or tourist lodging demand included the renovation of La Villita; renovation of the Municipal Auditorium; the Alamo Plaza Linkage project; renovation of meeting space within the convention center; renovation of the Majestic Theatre; the proposed redevelopment of the Hemisfair, and a proposed downtown shopping mall.

Six hotels opened in 1981 providing more than 1,400 guest rooms. These facilities included the 640-room Hyatt in downtown San Antonio and the 307-room Holiday Inn-North in north San Antonio.

Other hotel projects that recently opened or are under development include:

- The 300-room Marriott Inn North on Loop 410, which opened in spring 1982.
- The 122-room Texian Inn on Interstate 10.
- The 122-room La Quinta-Market Central in downtown San Antonio.
- The purchase of the St. Anthony Hotel by Inter-Continental Hotels for renovation to a 350-room property.
- The renovation of the Gunter Hotel to a 335-room property.

The continued strength of the lodging industry in San Antonio is reflected by projects that have been proposed or are under study. Twelve hotel projects currently under development could add in excess of 3,600 guest rooms by 1985.

Randall T. Hodde
Houston

From San Diego

In 1981, the San Diego lodging industry experienced another year of growth. While the area-wide occupancy dropped to just under 77 percent for the year, the number of rooms sold by area hotels increased 4 percent compared with 1980. The major reason for the occupancy decline was a 5 percent increase in the room supply. The average daily room rate for San Diego hotels increased about 11 percent, finishing the year at just under $55.

Although no new hotels opened during 1981, additions totaling 430 rooms were completed at area hotels. A 250-room tower was added to the Sheraton Harbor Island. This addition, together with some 30,000 square feet of new meeting and banquet space, makes the facility the second largest hotel in San Diego.

Concurrent with a surge of office construction is renewed interest in the development of a major convention center. Private developers have proposed plans for a 250,000-square-foot convention center at Navy Field to replace the proposed center that was voted down in 1981 by city residents. The developers also have proposed a 1,000-room convention hotel, in addition to the 690-room Inter-Continental Hotel now under construction.

Elsewhere in San Diego, new tourism attractions that recently have been completed are certain to affect the future of the area's lodging industry. The rejuvenated Tijuana Trolley, with its bright red cars, is fast regaining popularity as a San Diego landmark.

Heritage Square, a collection of restored Victorian houses with unique shops and restaurants, is nearing completion adjacent to San Diego's already famous Oldtown. The Old Globe Theatre, which was destroyed by fire several years ago, has been completely rebuilt and opened during summer 1982.

Commercial, residential and light industrial developments continue to dominate the northern city limits, as well as the northern section of the county. The demand for lodging facilities in these areas is growing rapidly. One major new resort has been proposed on a city-controlled parcel adjacent to the Torrey Pines Golf Course, home of the Andy Williams Open. Elsewhere in the county, major resort operators reported that 1981 was a good year, overall.

For the first five months of 1982, area hotel operators reported a definite decrease in lodging demand compared with the first five months of 1981. As in other areas of the United States, businessmen and consumers are spending less and cutting back on travels. San Diego remains a popular vacation and meeting destination, however, and we project this year's declines to be much less severe than in other areas of the U.S.

Jerome K. Morrison
Gordon R. Watkins
San Diego

From San Francisco

The three major lodging markets in the San Francisco Bay area reported virtually the same area-wide occupancy levels for 1981: San Francisco, 77 percent; San Francisco International Airport, 78 percent, and Oakland, 79 percent.

Of the three, only Oakland reported an increase in occupancy over the 1980 level. Increases in the average daily room rate ranged from approximately 11 percent in the San Francisco International Airport area to about 12 percent in San Francisco and 17 percent in Oakland.

Industry sources attribute the decline in occupancy in the San Francisco and airport markets, for the second year in a row, to the continued economic downturn and decreases in air travel. Flight operations at San Francisco International Airport decreased 11 percent accompanied by a 6 percent decrease in total terminal passengers during 1981.

Declining hotel occupancy in San Francisco also may have been caused in part by increasing relocation of corporate divisions of major San Francisco companies to outlying regions of the Bay area. This can be substantiated, to a degree, by increases in rooms demand and average room rates at properties in Marin and Contra Costa Counties. Historically, these counties were primarily bedroom communities for both San Francisco and Oakland. However, in the mid-1970s the development began to shift from large-scale residential projects to office building and commercial projects. This pattern has been particularly noticeable in the Walnut Creek-Concord area of central Contra Costa County.

The long-awaited George R. Moscone Convention Center in San Francisco was completed in 1981. The center has 650,000 square feet of floor space and 31 meeting rooms ranging in capacity from 50 to 600 people. Shortly after completion of that project construction began on two new hotels in the city:

- A 700-room Meridien Hotel adjacent to the convention center.
- A 1,047-room Ramada Renaissance proximate near Union Square, a major tourist attraction.

Other hotels currently under construction in the Bay area include:

- A 214-room Days Inn and a 416-room Holiday Inn near San Francisco International Airport.
- A 511-room Hyatt Regency in downtown Oakland.
- A 340-room Hilton Hotel in Concord.

In 1982, we anticipate slightly higher occupancy levels in both the Oakland and San Francisco International Airport market areas. A comparative traffic report for San Francisco International Airport indicates that total terminal passengers increased 8.8 percent during the first quarter of 1982 over the same period last year. However, occupancy levels at a number of San Francisco properties are slightly below those of last year at this time. It appears that city-wide occupancy may decrease for the third consecutive year.

Clarence H. Peters
Mary Jo Martin
San Francisco

From Savannah

Savannah's reputation as an attractive tourist and convention destination continues to grow. Increased business and industrial activity, combined with record convention attendance, has spurred area lodging development. Total area lodging supply increased from about 3,100 rooms in 1979 to 4,100 rooms in 1981. Area-wide occupancy is estimated in the low 70 percent range for 1981, down only one or two points from 1980 despite a substantial increase in the supply of rooms.

Lodging projects completed in 1980 and 1981 include:

- The 350-room Hyatt Regency Savannah, overlooking the Savannah River in the historic downtown sector.
- A 196-room Days Inn, an attractive brick high-rise designed to blend with its historic Bay Street location.
- The 140-room Best Western Riverfront, a property that changed affiliation and underwent extensive renovation.
- The 19-room luxury Ballastone Inn, an impressive restoration of a historic home by the owners of the Savannah DeSoto Hilton.

An estimated 500 additional rooms are expected to enter the marketplace in 1982 and 1983. Development plans range from small, luxury European-style inns to mid-size budget properties.

Savannah's 204,000 residents hosted two million visitors in 1981, a 75 percent increase compared with 1980. These visitors, including both tourist and convention guests, spent an estimated $131 million in the area. Much of Savannah's increased convention demand was generated by the addition of the Hyatt Regency in 1981, as well as an aggressive marketing program administered by the Savannah Convention and Visitors Bureau. With its 1,100 restored homes (the largest Urban Landmark Historic District in the United States), nearby beaches and excellent access from

north/south Interstate 95, Savannah is expected to remain a popular place for tourists and conventioneers alike.

Savannah's success story is not totally attributable to tourism. Much of the area's economic stability results from its increasing importance as a seaport. More than $400 million is budgeted for equipment and facilities as part of the planned expansion on the Port of Savannah during the next five years, mostly for increased container cargo handling and coal shipping. Excellent land, water and air access have attracted a number of new manufacturing firms to Savannah in recent years, including many international companies.

Growth in demand is expected to be strong throughout the 1980s, and the continued success of Savannah's lodging industry is highly dependent on the extent and timing of future supply increases.

William G. Moeckel
Jan L. Nichols
Atlanta

From Seattle

The economy of the Pacific Northwest suffered in 1981 as a result of the depressed lumber industry, cutbacks in the sales and production of Boeing aircraft caused by the financial problems of commercial airlines, and high interest rates. Occupancies at hotels in the Seattle metropolitan area declined about 8 percent while average daily rates increased about 8 percent for the year.

Despite the cyclical weakness in the economy, 1981 was an important year for the area's lodging industry. Construction continued on major hotel projects in the central business district. Ground was broken at mid-year for the 576-room Madison Hotel, which is expected to open in 1984. Work continued at three sites on major properties to be completed in the latter half of 1982. These facilities are the 451-room Four Seasons-Olympic Hotel, the 871-room Sheraton Hotel and a 455-room addition to the Westin Hotel.

During 1981, there was very little new hotel development. The only addition to the room supply downtown was the renovated 75-room Sorrento Hotel, a deluxe hotel located between the downtown and First Hill areas. Red Lion/Thunderbird Motor Inns, based in Vancouver, Washington, opened a 355-room Red Lion in Bellevue during 1981. The Red Lion is expected to accommodate a growing eastside convention market and is one of the finest hotel facilities in the entire Seattle area.

Perhaps the most important event during 1981 was the State Legislature's approval for issuance of $90 million in general obligation bonds for development of a Washington State Trade and Convention Center in downtown Seattle. The 300,000-square-foot facility is proposed for the site near the major hotels in the central business district and could be developed as early as 1986.

In action designed to help the tourist industry, the Legislature also authorized the expenditure of $4.5 million to promote tourism in Washington during 1982 and 1983. The national campaign will focus on "America's Other Washington—The State." This will be the first major promotional effort by the State to attract visitors to the region.

Commercial activity continues to be strong in the Seattle area. The city is the financial and service center of the Pacific Northwest and a major trade center for the "Pacific Rim," which includes the West Coast of the United States, Canada, Alaska and the Orient. This role has resulted in expansion of support activities, such as legal and accounting, finance, insurance, data processing and other service industries.

Tacoma, a major industrial and trade center south of Seattle, will begin large-scale development in its central business district during 1982. Cornerstone Development will break ground on an extensive mixed-use project that will include a 328-room Sheraton Hotel, a 200,000-square foot office tower, major retail shopping facilities and parking. Just outside of the downtown area, the Tacoma Dome is nearing completion. The $44 million facility will be the world's largest wooden structure and will provide the Tacoma area with a major sports, entertainment, exhibition and convention center.

Russ Valentine
Seattle

From South Florida

The effect of the recession on the hospitality industry in South Florida during 1981 was an 11.6 percent decline in occupancy compared with 1980, yielding a 1981 annual occupancy rate of 65.5 percent. Occupancy during the first quarter of 1982 was 75.1 percent, down 2.4 percent from the first quarter of 1981. However, major changes are taking place in the community.

Positive steps continue to be made in developing South Florida as a tourist destination. A major accomplishment has been achieved in combatting Miami's negative image and in promoting the area as a desirable place to visit. The problems of crime, drug smuggling and the influx of aliens have been addressed by Vice President George Bush's cabinet level task force, which has shown significant results in resolving these issues. "Miami is for me," a new promotional campaign, has had excellent initial success. It is designed to instill community pride, prompt citizen involvement in promoting Miami tourism, and sell the area as a vacation destination to both the foreign and domestic markets.

Despite the recent economic downturn and, in part, as a result of strong community action, several major lodging projects are underway throughout South Florida. Current area developments include:

- A 500-room Hilton Hotel at Miami International Airport, scheduled to open in summer 1984.
- A 250-room Hilton Hotel and a 219-room Servico Royce Hotel at Palm Beach International Airport, scheduled for completion in early 1983.
- The opening of the 600-room Inter-Continental Hotel at Bonaventure in Fort Lauderdale.
- The completion of the James L. Knight Convention Center in downtown Miami in September 1982. Including the Hyatt Regency (a part of the convention center complex), about 2,400 first-class hotel rooms are under construction in the downtown area and will give Miami the capability of accommodating larger conventions/groups from a central location.
- The Art Deco District, a major revitalization plan for Miami Beach that is scheduled for implementation during the next 10 years. The refur-

bishing and development of commercial and residential buildings, cultural centers and hotels in the district should generate tourism demand and commercial activity focused around a unique and exciting historic architectural community.

- Miami's Metro Zoo, which opened to high attendance in December 1981. A cageless zoo, it is destined to be one of South Florida's premier tourist attractions.

South Florida continues to emerge as an international business and financial center. Based on the number of foreign banks located in Miami, the city now ranks second to New York as a center for international finance in the United States.

Major improvements are not expected in the hospitality industry until the recession abates. However, the growth of international finance and trade, and the commitment of South Florida residents and hoteliers to the development of the industry assures long-term growth and a bright future for the industry in the years ahead.

Irwin I. Glick
M. Chase Burritt
Miami

From Tampa

Most new hotel developments in the Tampa Bay area are in downtown Tampa and the Airport/Westshore area, largely because of the expansion of Tampa's commercial and industrial bases. The selection of Tampa as the site for the 1984 Super Bowl, the largest revenue generating sporting event held annually in the United States, is an indication that Tampa is now a major metropolitan area of the country.

During 1981, four new area office buildings added more than 1.5 million square feet of office space to the downtown market. The largest is Tampa City Center, which is part of a $92 million, four-square-block complex that includes a 540-room Hyatt Regency (which opened in May 1982), a 1,600 car parking garage and 40,000 square feet of retail space.

The largest proposed development in downtown Tampa is Harbour Island, located south of the central business district. The 177-acre island is one of the largest undeveloped tracts of land in the United States located near a major metropolitan area. Plans for phase one of the Harbour Island development include a proposed 300-room luxury, commercial hotel, 550 multi-family dwellings, 175,000 square feet of office space and 115,000 square feet of retail space. Construction is expected to begin in late 1982.

The hotel projects completed or under construction during 1981 include:

- The 312-room Tampa Marriott Hotel, which opened in June 1981.
- The expansion of the Holiday Inn-Airport, which opened in December 1981. This 503-room property will be the second largest hotel in the Tampa Bay Area.
- The 238-room Tampa Airport Hilton, which is scheduled to be completed in November 1982.

North Tampa hotels should continue to benefit from the expansion of Busch Gardens. The new Congo River Rapids, a 1,380 foot "white water" raft ride, opened in June 1982. Along with other recent expansions, it is expected to encourage repeat visits and increase the average length of stay in area hotels. A $20 million, 400-room Sheraton Hotel, which was first announced in 1979, is still planned as the official "host hotel" for Busch Gardens.

On Clearwater Beach, a 414-room convention-oriented Holiday Inn opened in October 1981. This property has the most extensive meeting facilities of any beachfront hotel. Clearwater Beach hotels historically have achieved the highest average room rates and occupancy levels in the Tampa Bay area. The construction of a property with convention facilities should have a positive impact on the occupancy in this sector.

On St. Petersburg Beach, several major independent hotels are being converted to interval ownership programs, as are numerous properties along Florida's Gulf Coast. As a result, there has been a decline in the number of rooms available on a nightly basis. The remaining hotels have experienced increases in occupancy.

Hotels in the Tampa Bay area had an occupancy level of 64 percent in 1981, 3.6 percent below the 1980 level of 66.4 percent. After a crippling first quarter during which area occupancies declined more than 8 percent, because of unseasonably cold Florida weather, the high cost of travel and the effects of the sluggish national economy, the hotel industry experienced a gradual comeback. The average room rate increased 12.5 percent in 1981 to $37.29. This is a sharp contrast with 1980, when average room rates increased about 19 percent compared with 1979. Significant trends experienced by the hotel industry during 1980 continued during 1981. These included increases in international visitors to the Tampa Bay area (especially the beachfront sector) and increases in the number of close-to-home vacationers.

For the first quarter of 1982, Tampa Bay area occupancy was 74.5 percent, a 3 percent decrease compared with 1981, which resulted primarily from a 14.4 percent decrease in occupancy during January 1982. However, February and March 1982 occupancies increased about 1 percent compared with 1981 due to the lower cost of air and automobile travel, and the $750,000 in emergency state funds used for a television marketing campaign that promoted Florida in 26 major markets in the Northern and Midwestern United States. The average room rate in Bay area hotels increased 9.5 percent to $44.96. During the remainder of 1982, occupancies are expected to be similar to 1981 levels. For the first time in several years, the increase in room rates is expected to be less than 10 percent.

Gary Renfrow
Joel Eisemann
Tampa

From Tucson

Major national and regional firms continue to consider Tucson as a site for relocation of their corporate headquarters. While recent recessionary trends have somewhat moderated the growth in key demographic and economic indicators, prospects for Tucson's near- and long-term growth remain positive.

During 1981, first-class hotel operators reported an area-wide occupancy of 70 percent. The annual average daily room rate was reported to be $41.50, up 9 percent compared with

1980. Facilities in the East Tucson area continued to report more favorable operating levels than what was reported for the downtown area.

Since 1980, two new hotels have opened and a third is under construction. Numerous other hotel projects have been proposed, including a 400-room convention-oriented hotel for the downtown area, a 400-room hotel for the East Tucson area, and a motor hotel for the Tucson Airport area.

For many years, Tucson has been known for resort-oriented guest ranches. The Sheraton Resort is nearing completion and two other full-service resorts also are under consideration. When completed, these facilities are expected to compete with other major Arizona resorts and should further enhance Tucson's share of the Southwest tourist market.

Tucson's economy is expected to continue to grow in the future. However, the number of hotel projects under construction and proposed are a signal that Tucson's hotel operators should proceed cautiously with respect to additional hotel development opportunities in the near term.

J. Richard Stravolo
J. B. Rose
Tucson

From Tulsa

In 1981, occupancy in Tulsa area lodging facilites increased to 77 percent, up from 72 percent in 1980. Average rates increased about 17 percent during 1981. The total number of available hotel rooms in Tulsa increased during 1981, with seven properties either opening or adding rooms during the year including:

- The opening of the 418-room Trusthouse Excelsior Hotel.
- The addition of 69 rooms to the Williams Plaza Hotel.
- The opening of the 211-room Holiday Inn-Central.
- The opening of the 72-room Brock Residence Inn, a property offering only suite accommodations.
- The opening of 235 rooms in three budget properties.

These additional rooms were offset somewhat by the closing of the 395-room Mayo Hotel for a major renovation early in the year.

The economy in Tulsa continues to display strong growth and development due to an oil- and gas-related base. The $150 million City of Faith Medical Complex at Oral Roberts University opened in late 1981, spawning lodging development that includes the 309-room Directory Hotel, which opened in summer 1982. Warren Place, a 2.7 million square foot office/lodging complex under construction in South Tulsa, includes a 350-room Doubletree Hotel. A 135,000-square foot expansion of the Tulsa Assembly Center that will more than double the facility's size is under construction.

Additional lodging developments in Tulsa, stimulated by the increased commercial and convention activity, include:

- A proposed 400-room Sheraton planned as a component of Kensington Center, a one million square foot office/lodging/retail complex.
- A 319-room Hilton Inn planned near Tulsa International Airport.
- A 240-room expansion to the Sheraton Inn-Airport.
- A 400-room Marriott Hotel proposed for development in fast-growing southeast Tulsa.

Additional hotels also have been proposed for many areas of Tulsa (including the airport, south Tulsa and near Oral Roberts University). Hotel operators and developers continue to look at this Sunbelt city, which had one of the lowest unemployment rates in the nation during 1981, for its continuing economic growth potential.

Jeff Marvel
Dave Durden
Kansas City

The U.S. Lodging Industry

Introduction

This is the 50th anniversary of Laventhol & Horwath's in-depth analysis of the lodging industry. From its inception in 1932, when the operating performance of fewer than 100 hotels was covered, to the 1982 edition, which includes 50 exhibits detailing the financial and operating performance of more than 600 hotels and motor hotels, the analysis has continued to grow. It has become the single most authoritative study on the U. S. lodging industry available today. The information provided in this series of reports provides an understanding of the operating characteristics of the industry for the preceding year and is useful for analyzing trends in revenue and expenses over successive time periods. This information is also useful as a guide for comparing the operating performance of individual establishments with that of comparable properties.

In preparing this year's study, Laventhol & Horwath (L&H) distributed 3,000 questionnaires to the firm's 37 practice offices in February and March 1982. In addition, several major chains were contacted to obtain information about the properties they operate. The Research and Development Division of L&H subsequently obtained data on nearly 800 properties. After careful review for reasonableness and accuracy, more than 600 questionnaires were used in compiling the data for this study. This represents a broad cross section of the industry with total sales of nearly $4 billion in 1981. The information on these properties is broken down into separate categories and includes medians, quartiles and arithmetic means for 42 different groups. Supplementary information on source of business, composition of lodging demand and other relevant marketing statistics along with credit and collection data are also presented.

Bases of statistics

The statistics presented in the report have been computed on the three most common bases used to analyze operating results of lodging enterprises: annual amounts per room, ratio to room sales and ratio to total sales. Readers not familiar with L&H's lodging industry reports, especially those who are not well acquainted with hotel financial statements, are advised to read carefully "Bases and Significance of Hotel Statistics," which is Chapter 28 of the fourth revised edition of *Hotel Accounting*, published in 1978 by the Ronald Press Division of John Wiley & Sons. This material is essential to understanding and using the statistical information in this report.

Most of the figures used are medians and upper and lower quartiles and do not necessarily add to the totals shown. Each line item has been analyzed separately and the medians are based on the information submitted for that line item only, since not all establishments reported data for each line. We also use the arithmetic or weighted means where appropriate. For example, the figures in "The U.S. Lodging Industry Dollar" (page 31) are based on weighted means to express absolute values rather than the relative position of the operating results of the estab-

lishments in the samples, which are shown by the medians and quartiles. The figures are intended to be used as guidelines, not standards or goals. They are not an attempt by L&H to set or conform prices or operating ratios for the industry.

Profile of the contributors

Based on various measures of central tendency such as the mean, median and mode, the typical contributor to this study is identified and defined in Exhibit 1. As shown in this exhibit, the typical contributor is fairly representative of the large number of properties in the United States that have been built in the last decade, in both number of rooms and sales volume, while occupancy and room rates are in the middle range. Typically, it is affiliated with a chain and the overwhelming majority of the contributors were profitable during 1981.

The highlights of this year's study, again using the various measures of central tendency, are shown in Exhibit 2. For the entire sample, occupancies declined slightly during 1981, which was considerably better than we had anticipated. However, the average daily rate per occupied room rose somewhat less than expected, increasing only 3.9 percent. The net result of the modest decline in occupancies and the low increase in room rates was a nominal increase in total sales per room of 0.6 percent. The difficulties experienced during the year also took their toll on profit margins since the ratio of income before income taxes declined slightly for the typical contributor to this study.

Exhibit 1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency

Criteria	Category of Typical Contributor
Age	Built between 1970 and 1980
Size	150-299 Rooms
Occupancy	60%-69%
Average Rate	$45-$54.99
Sales Volume	$5 million-$10 million
Restaurant Operation	Operated a restaurant in which the volume of food and beverage sales was less than 50% of room sales.
Other Management Operation Results	Affiliated with a chain; reported net income before income tax in 1981.

Exhibit 2
Highlights*

- Total revenue increased 0.6 percent on a per room basis to $15,364.
- Room occupancy declined 0.4 percent to 70.1 percent compared with 70.4 percent in 1980.
- The average daily rate per occupied room was $39.14 compared with $37.67 in 1980, an increase of 3.9 percent.
- Payroll and related expenses per room dropped 6.9 percent from $4,867 to $4,531.
- Income before income taxes increased 3.4 percent on a per room basis to $1,545. As a ratio to total sales, income before income taxes was 9.7 percent in 1981, down slightly from last year's 9.8 percent.

* Based on medians.

Based on an allocation of total revenue and expenses as reported this year, Chart 4 illustrates the source and distribution of the U.S. lodging industry dollar in 1981 and how they compared with the previous year. Guest room rentals continued to increase as a proportion of total revenue, exceeding 60 percent for the first time in recent history. All other sources of revenue declined in relation to total revenue except telephone sales, which remained constant from last year.

On the distribution side, payroll and related expenses accounted for a slightly higher percentage than last year, while departmental expenses and food and beverage costs took smaller portions. Each of the undistributed operating expenses (i.e., administrative and general, marketing, energy and property operation and maintenance) also accounted for a larger share of the distribution. However, the sharpest increases in expenses were in the fixed charges, such as rent, property taxes, insurance, depreciation and interest. Each of these items accounted for substantially more of the costs, driving down sharply the net income before income taxes. However, despite declining occupancy rates and the failure of increases in room rates and average checks to offset rising costs, the overall performance of the industry during 1981 was still relatively good compared with the performance of many other industries.

Market data

We obtained information from nearly half of the contributors on the source of their business, the composition of their markets, the percentage of advance reservations and the source and composition of advance reservations. For this group of properties, 86.5 percent of the demand for rooms stemmed from domestic sources while 13.5 percent came from foreign sources. This is somewhat different from last year when 89.9 percent was domestic and 10.1 percent was foreign. People traveling for business purposes continued to be the primary source of demand by a wide margin. However, because of the recession, the ratio was down substantially this year. This segment represented 52 percent of overall demand in 1980 but amounted to only 41 percent in 1981. Tourists make up the second largest portion of the market for commercial lodging in the United States and contributed more than 26 percent of the demand. Particularly noteworthy, however, has been the steady increase in demand from conference participants. Five years ago, this source of business constituted 15 percent of the market. By last year, this had risen to 16.5 percent and this year it reached 21 percent.

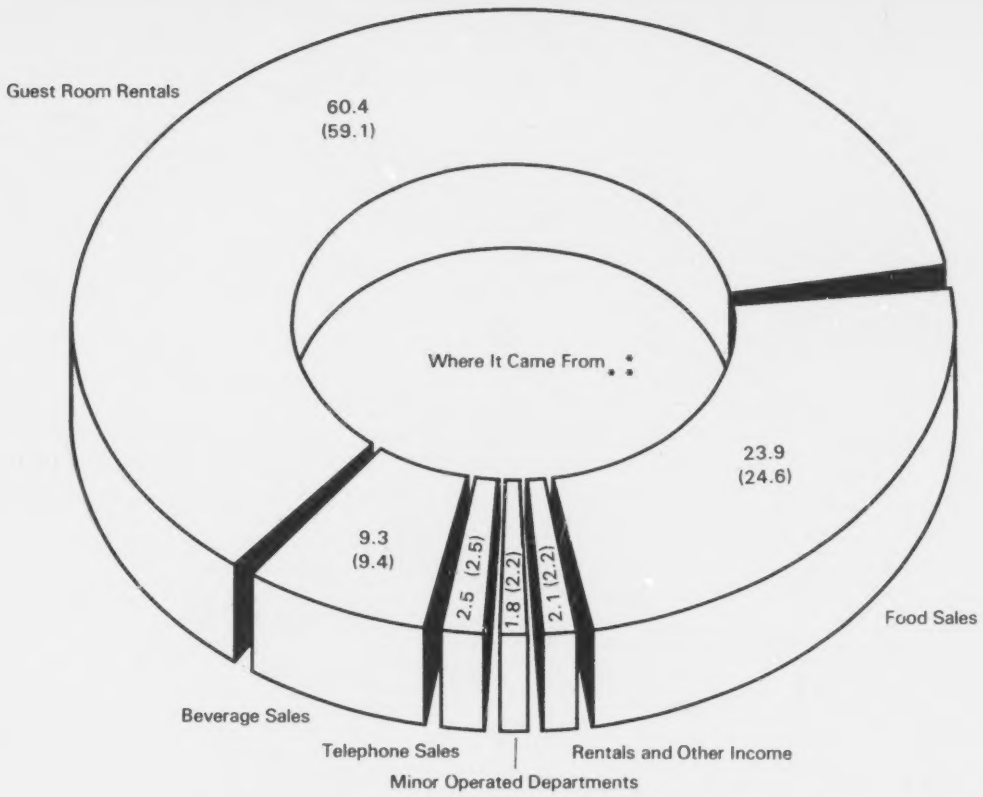
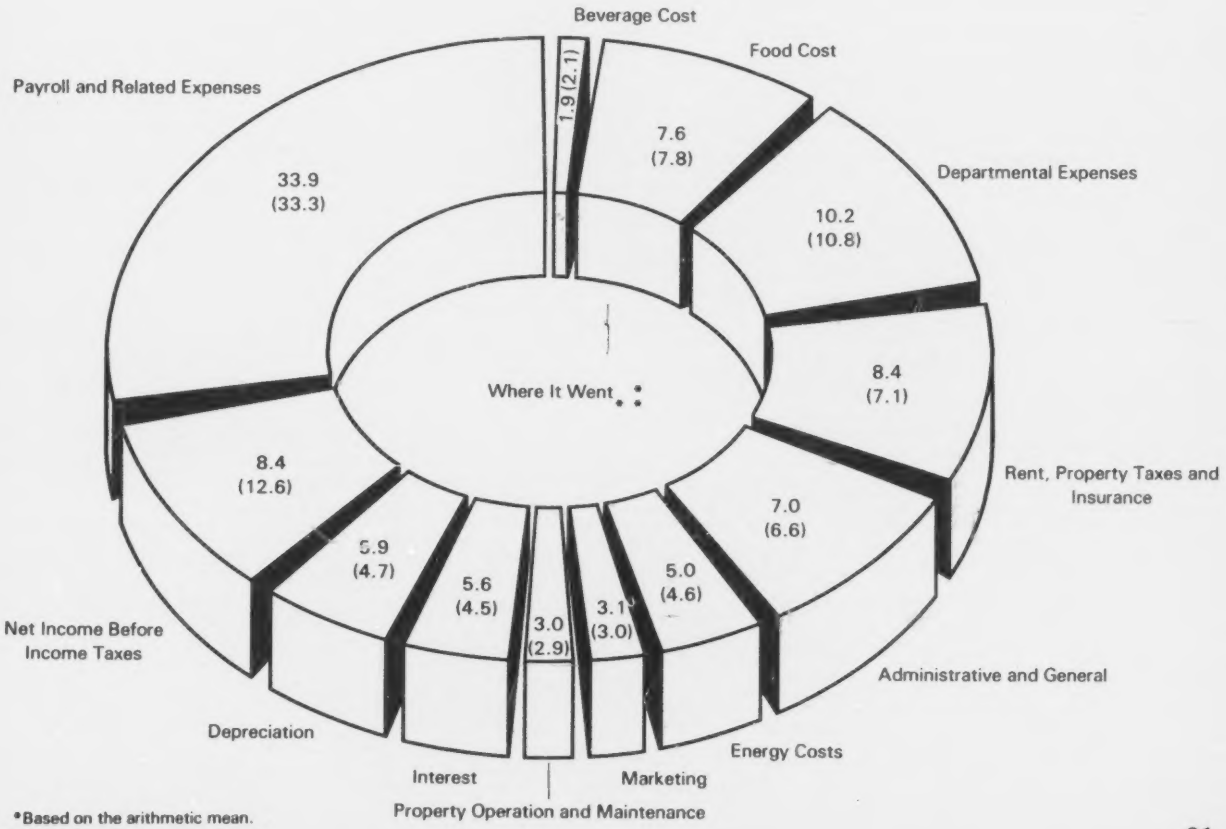


Chart 4: The U.S. Lodging Industry Dollar 1981



*Based on the arithmetic mean.
**1980 amounts (in parentheses)

Exhibit 3 provides this information by location, by those properties that cater primarily to conference participants and by those that do not derive a large portion of their business from conference participants. In this analysis by market, a convention property was defined as a facility with 40 percent or more of its business stemming from conference participants. Center city and resort properties derived more business from foreign sources than properties located in other areas. The percentage of repeat business exhibited very little variation between the various locations with the highest portion being reported by highway properties and the lowest by airport properties. The airport and suburban properties continued to attract the highest percentage of business-related travelers (as in the studies of prior years); however, the highway properties derived 52 percent of their business from this source, nearly as high as those located at airports.

Most of the guests at resort properties are tourists, but both the airport and highway properties also catered heavily to that market in 1981. The convention-related establishments, while obviously deriving most of their market from conference participants,

Exhibit 3
Market Data*

	Location					Market	
	Center City	Airport	Suburban	Highway	Resort	Convention	Other
Source of Business							
Domestic	82.2%	85.1%	95.3%	90.4%	84.3%	89.2%	85.8%
Foreign	17.8	14.9	4.7	9.6	15.7	10.8	14.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	46.4%	43.8%	45.7%	50.8%	46.1%	45.6%	46.5
Composition of Market							
Government Officials	5.8%	4.6%	2.8	3.1%	2.1%	3.1	4.3
Businessmen	37.9	53.1	56.3	52.0	16.3	21.4	45.8
Tourists	18.0	21.6	16.4	25.8	53.3	13.8	29.1
Conference Participants	24.6	13.0	20.8	15.7	24.0	55.3	12.5
Other	13.7	7.7	3.7	3.4	4.3	6.3	8.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advance Reservations	83.9%	82.1%	79.5%	71.3%	88.4%	89.7%	79.8%
Composition of Advance Reservations							
Direct	38.0	34.8%	45.6%	35.1%	47.8%	47.3%	38.8%
Reservation Systems	26.5	39.1	33.2	34.0	14.3	21.0	25.7
Travel Agents & Tour Operators	22.2	18.8	12.1	20.1	31.1	15.2	19.8
Other	13.3	7.3	9.1	10.8	6.8	16.5	8.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio of Travel Agent Commissions to Room Sales	.6%	.7%	.4%	.3%	1.1%	.6%	.4%

*Based on those supplying detail.

also reported the highest percentage of repeat business primarily because of the long lead time necessary for reserving sufficient space in a hotel.

The majority of reservations at the lodging properties that provided this information came from direct inquiry from guests, through a reservation system within the establishment or through an independent reservation system. Travel agents and tour operators were a leading source of advance reservations in the resort properties.

Exhibit 4 shows the nationality of guests staying in establishments located in different areas of the country. For the group of properties that provided this information, the nearest neighbors to the United States, Canada and Mexico, were the primary source of international guests as they have always been. The Canadians were particularly predominate in the Northern and Southern regions of the country while the Mexicans were a significant part of the market for properties in the South Central region. During 1981, South America was the third leading source of international guests. The only significant shift that occurred during 1981 was the exchange in rankings between the British and the Japanese. During 1980, the British were the fourth largest foreign contingent coming to these properties while the Japanese were fifth. However, because of a surge in Japanese travelers to the West Coast, Japan replaced Great Britain as the fourth largest supplier of international guests.

Performance measurements

In the next eight exhibits, we have presented several of the key performance measurements used

Exhibit 4
Nationality of Guests*

		By Area				
	All Establishments	North-East	South-East	North Central	South Central	West
U.S.A.	83.1%	83.3%	75.5%	90.6%	80.8%	83.8%
International	16.9	16.7	24.5	9.4	19.2	16.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other Nationalities—Ratio to Total International						
Canadian	19.2%	20.1%	23.5%	32.7%	10.4%	13.6%
Mexican	16.1	4.9	4.2	2.7	48.9	6.7
South American	15.3	14.7	30.9	10.7	10.8	1.2
Japanese	12.8	9.8	1.1	19.4	6.6	35.4
British	7.8	7.1	10.3	7.2	4.6	8.6
Central American	7.5	5.4	14.7	0.3	8.5	1.2
Other European	4.2	7.6	2.4	6.9	2.3	5.9
German	3.9	4.9	4.2	5.1	0.8	6.2
French	3.4	3.8	2.8	3.1	1.9	6.4
Middle Eastern	2.7	2.7	2.1	5.8	3.1	0.7
Italian	1.9	7.1	2.4	1.7	0.4	1.0
Australasian	1.8	2.6	0.2	1.4	0.0	6.7
Scandinavian	1.6	1.6	0.8	2.7	0.4	3.5
Other Asian	1.2	3.3	0.2	0.3	1.5	2.2
African	0.6	4.4	0.2	0.0	0.0	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on those supplying detail.

to gauge the overall health of the industry. Exhibit 5 presents (for various categories) a comparison of the median amounts of total sales, income before fixed charges and net income before income taxes for 1981 and 1980. In this exhibit, and in several additional exhibits throughout this year's study, the rate groups have been identified alphabetically because the ranges are shifted upward each year to reflect higher room rates.

Group	Rate Range 1981	Rate Range 1980
A	Under $35.00	Under $30.00
B	$35-$44.99	$30-$39.99
C	$45-$54.99	$40-$49.99
D	$55 and over	$50 and over

Total sales per room for the entire sample increased a modest 0.6 percent from 1980 to 1981.

Exhibit 5
Comparison of Sales and Profitability by Selected Criteria

	Total Sales		Income Before Fixed Charges		Net Income (Loss) Before Income Tax	
	1981	1980	1981	1980	1981	1980
Age						
Built Pre-1940	$23,267	$23,902	$5,484	$6,042	$1,328	$1,595
1940-1959	14,139	17,535	3,827	3,826	109	1,578
1960-1969	18,052	14,407	4,547	4,205	965	1,025
Post 1970	21,143	16,101	5,134	4,603	326	849
Size						
Under 150 Rooms	$10,875	$ 9,612	$4,264	$3,453	$1,645	$ 560
150-299	15,547	14,321	4,670	4,267	1,362	1,017
300-600	22,210	20,276	6,067	5,347	1,736	1,543
Over 600	27,306	24,037	7,816	7,143	1,927	2,562
Rate*						
A	$ 9,991	$ 9,288	$3,295	$2,875	$1,032	$ 72
B	15,842	13,458	4,827	3,814	1,859	884
C	20,360	19,843	5,562	5,069	1,437	2,533
D	30,490	29,634	8,721	8,132	2,884	3,216
Occupancy						
Under 50%	$ 9,265	$ 7,597	$ 956	$1,063	$(2,029)	$ (51)
50-59%	11,998	10,915	2,765	2,192	(96)	(49)
60-69%	14,122	14,625	3,650	3,772	485	670
70-79%	18,280	17,440	5,799	5,259	2,095	1,373
80% & Over	16,626	19,825	6,507	5,845	3,848	2,703
Restaurant Not Operated	$ 9,673	$ 8,739	$4,596	$4,765	$2,005	$1,032
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	$14,357	$13,550	$4,785	$4,003	$1,973	$ 852
50-74%	18,570	17,424	4,678	4,660	937	764
75-99%	23,695	20,554	5,062	4,669	296	1,780
100% & Over	27,866	23,110	5,289	6,047	258	1,644
Median, All Establishments	$15,364	$15,271	$4,728	$4,513	$1,545	$ 956

*See above.

While most of the categories reported increases in this measure, the other properties, those built prior to 1960, experienced some difficulty in increasing sales. The only other properties that experienced a decline in total sales per room were those with occupancies greater than 80 percent. Several groups showed substantial increases in total sales per room; those properties built after 1960 and those reporting food and beverage sales over 75 percent of room sales achieved the sharpest gains. Income before fixed charges per room improved somewhat more than total sales, increasing 4.8 percent per room to $4,728. This improvement in income before fixed charges was particularly evident in the results for the smaller establishments, those in the second lowest rate group, and surprisingly (considering the decline in sales per room), those with occupancies greater than 80 percent.

Exhibit 6 presents the ratio of income before fixed charges to room sales and to total sales. The overall

Exhibit 6
General Statistics

	Ratio of Income Before Fixed Charges to				Number of Times Average Rate Was Earned	
	Room Sales		Total Sales			
	1981	1980	1981	1980	1981	1980
Age						
Built Pre-1940	37.5%	39.8%	21.7%	24.0%	95	107
1940–1959	41.1	42.7	26.8	24.2	98	100
1960–1969	39.8	42.3	25.0	26.8	104	117
Post 1970	44.3	47.9	25.9	28.2	113	121
Size						
Under 150 Rooms	49.7%	43.4%	37.0%	31.4%	134	109
150–299	44.2	45.8	28.4	27.8	115	118
300–600	45.7	45.0	27.9	26.8	125	116
Over 600	47.0	49.6	26.7	27.8	118	133
Rate*						
A	46.4%	45.4%	35.5%	28.6%	119	110
B	47.8	43.2	30.9	28.1	124	112
C	43.2	43.3	26.7	25.0	112	118
D	50.0	49.6	28.2	28.7	134	133
Occupancy						
Under 50%	16.2%	28.5%	10.4%	15.8%	36	33
50–59%	33.9	34.3	20.3	20.3	73	71
60–69%	42.5	43.4	25.4	27.2	99	103
70–79%	49.4	49.5	31.7	30.0	136	132
80% & Over	55.0	53.3	42.1	35.5	171	168
Restaurant Not Operated	54.3%	56.6%	49.4%	52.1%	164	177
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	46.0%	44.7%	32.0%	31.2%	122	121
50–74%	41.6	43.3	24.0	24.9	108	117
75–99%	41.4	43.6	21.3	22.6	104	114
100% & Over	49.3	57.5	19.1	24.6	113	133
Median, All Establishments	46.8%	45.8%	29.6%	28.1%	123	118

*See page 34.

results were fairly consistent with those in the preceding exhibit with the ratio of income before fixed charges to total sales rising from 28.1 percent to 29.6 percent, an increase of 5.3 percent. However, most of the various groups reported a decline in profit margins for the year. Interestingly, in the analysis of the results by ratio of food and beverage sales to room sales, as food and beverage sales increased, profit margins declined. Properties in the lower rate groups and those with the highest occupancies showed the sharpest gains. The number of times the income before fixed charges was earned in relation to the average room rate improved slightly, going from 118 to 123.

Exhibits 7 and 8 provide several measures of return on investment (ROI) usually used to gauge management performance. The results presented in these tables are based on a much smaller sample of properties that provided the detail necessary for the computations. To be included in this analysis, the

Exhibit 7
Return on Total Assets*

	Turnover[1]	Earnings Ratio[2]	Rate of Return or (Loss)[3] 1981	1980
Age				
Built Pre-1940	$1.09	10.3%	11.2%	13.2%
1940-1959	.68	10.0	6.8	12.8
1960-1969	.95	10.6	10.1	6.7
Post 1970	.87	12.2	10.6	5.0
Size				
Under 150 Rooms	$ .95	13.4%	12.7%	11.2%
150-299	.76	11.0	8.4	5.7
300-600	.91	9.6	8.7	8.1
Over 600	1.15	13.2	15.2	19.2
Total Sales				
Less than $2,500,000	$ .79	11.9	9.4%	8.2%
$2,500,000-$4,999,999	.86	14.9	12.8	5.3
$5,000,000-$9,999,999	.84	8.5	7.1	7.7
$10,000,000 & Over	.96	10.6	10.2	13.6
Restaurant Not Operated	$ .65	29.0%	18.9%	16.2%
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales				
Under 50% of Room Sales	$ .87	15.8%	13.7%	8.6%
50-74%	.81	8.9	7.2	6.2
75-99%	.88	9.7	8.5	7.6
100% & Over	.89	7.3	6.5	2.8
Median, All Establishments	$ .87	12.2%	10.6%	7.7%

[1]Total sales divided by total assets.
[2]Ratio of net income before income tax or (loss) to total sales.
[3]Turnover times earnings ratio—all figures are computed.
*All figures are medians.

questionnaires not only had to contain the relevant balance sheet information, but we included only those that owned the land, building and equipment. Otherwise, the figures would have been distorted due to off-balance sheet financing, such as leasing. For those properties that did meet our stringent requirements for inclusion in this analysis, turnover (sales per dollar of total assets) and the earnings ratio (ratio of net income before taxes to total sales) increased considerably compared with 1980. Turnover increased from $.79 to $.87 while the earnings ratio rose from 9.8 percent to 12.2 percent. The net result of these increases was a jump in return on assets from 7.7 percent to 10.6 percent. The rates of return on invested capital (interest-bearing debt plus equity and stockholders equity) are shown in Exhibit 8. Again, for the properties that provided sufficient detail, the return on invested capital and the return on equity increased from 1980 to 1981.

Perhaps the three most popular measures of trends in the lodging industry, the percentages of occupancy and double occupancy and the average

Exhibit 8
Return on Investment*

	Return on Invested Capital[1]	Return on Equity[2]
Age		
Built Pre-1940	19.4%	20.4%
1940-1959	**	**
1960-1969	9.2	27.6
Post 1970	18.1	22.0
Size		
Under 150 Rooms	20.5%	24.2%
150-299	**	**
300-600	10.4	21.1
Over 600	14.8	26.1
Occupancy		
Under 50%	**	**
50-59%	9.9%	27.6
60-69%	26.1	26.1
70-79%	15.6	9.8
80% & Over	16.9	21.8
Restaurant Not Operated	**	**
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales		
Under 50% of Room Sales	21.5%	24.9%
50-74%	10.4	20.4
75-99%	22.9	26.1
100% & Over	15.6	9.8
Median, All Establishments—1981	17.3%	22.0%
Median, All Establishments—1980	11.2	19.1

[1]Ratio of net income after income tax, but before interest, to total interest bearing debt and equity.
[2]Ratio of net income after income tax to stockholders' equity.
*All figures are medians.
**Insufficient response.

room rate (room sales per occupied room), are shown in Exhibit 9. For the entire sample, the percentage of occupancy declined from 70.4 percent in 1980 to 70.1 percent in 1981. This decline was considerably less than we had anticipated and enabled management of the properties to achieve relatively good earnings. Of the various groups, 14 of the 22 showed declines in occupancies with properties located in the North Central and Southeast regions of the country experiencing the most difficulty. In the North Central region, this decline in occupancies was primarily due to the recession, which has affected the heavy industrial states of Michigan, Ohio, Indiana and Illinois. In the Southeast region, the downturn in tourism has affected Florida to a considerable extent.

One item, however, that has helped offset the impact of this decline in room demand is the increase in double occupancy or the percentage of rooms occupied by more than one person. Rising from 35 percent in 1980 to 40.6 percent in 1981, this increase helped to bring about a rise in the average room rate of 3.9 percent to $39.14.

The next three exhibits reveal several of the key performance measures by various breakdowns. Exhibit 10 shows the difference between those reporting

Exhibit 9
Occupancy, Double Occupancy and Average Rate*

	Percentage of Occupancy		Percentage of Double Occupancy		Average Room Rate	
	1981	1980	1981	1980	1981	1980
Age						
Built Pre-1940	63.7%	70.5%	40.3%	40.0%	$55.74	$49.17
1940-1959	66.0	69.6	46.4	47.3	42.41	42.22
1960-1969	71.9	70.6	40.0	36.5	44.76	36.66
Post 1970	66.5	71.5	33.8	29.9	48.63	37.88
Size						
Under 150 Rooms	73.3%	68.8%	46.4%	25.6%	$30.91	$29.18
150-299	69.1	71.5	35.8	30.5	39.28	36.14
300-600	70.1	70.5	39.0	36.8	50.68	45.29
Over 600	66.9	69.1	39.6	40.6	62.72	56.90
Area						
Northeast	73.3%	71.6%	28.6%	28.3%	$47.50	$41.88
Southeast	67.5	71.7	48.6	49.4	45.12	40.78
North Central	62.6	65.0	35.5	33.6	38.52	36.97
South Central	77.3	69.7	45.1	30.9	32.29	31.48
West	78.0	76.1	49.3	37.6	46.27	43.74
Total Sales						
Less than $2,500,000	67.8%	64.8%	44.4%	22.5%	$30.98	$28.59
$2,500,000-$4,999,999	72.6	71.6	36.0	31.6	40.97	34.24
$5,000,000-$9,999,999	70.1	72.5	34.0	36.1	48.77	42.14
$10,000,000 & Over	71.9	71.6	40.9	39.9	64.78	56.90
Restaurant Not Operated	81.5%	86.1%	46.4%	20.0%	$28.53	$24.97
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	70.9%	71.4%	40.0%	31.7%	$38.42	$36.93
50-74%	67.6	68.5	31.9	37.0	45.55	40.43
75-99%	63.5	68.4	35.4	33.0	49.21	41.45
100% & Over	65.4	65.7	35.8	42.3	46.37	41.91
Median, All Establishments	70.1%	70.4%	40.6%	35.0%	$39.14	$37.67

*All figures are medians.

Exhibit 10
Net Income Differential*

	Lodging Facilities Reporting		Net Income Facilities Differs By
	Net Income	Net Loss	
Occupancy	74.6%	60.2%	23.9
Double Occupancy	43.1	34.4	25.3
Average Rate	$ 39.02	$ 37.51	4.0
Amount Per Available Room			
Sales			
Rooms	$10,597	$8,121	30.5
Food	3,211	3,047	5.4
Beverage	1,538	1,591	(3.3)
Other	1,004	761	31.9
Total Sales	$15,649	$13,567	13.3
Payroll & Related Expenses	4,270	4,882	(12.5)
Undistributed Expenses (Excluding Payroll)			
Administrative & General	1,001	1,252	(20.0)
Marketing	400	505	(20.8)
Energy Costs	756	863	(12.4)
Property Operation & Maintenance	511	523	(2.3)
Income Before Fixed Charges	5,434	2,013	169.9
Fixed Charges	2,576	3,496	(26.3)
Net Income (Loss) Before Income Tax	$2,635	($1,420)	—
Number of Times Rate Was Earned	137	60	128.3
Net Cost of Operation Per Dollar of Average Room Rate	$132	$159	(17.0)
Ratio of Income Before Fixed Charges to:			
Room Sales	51.5%	25.2%	104.4
Total Sales	34.4	15.5	121.9
Cost of Food Sales (After Credit For Employees' Meals)	37.4¢	34.6¢	8.1
Cost of Beverage Sales	24.0	21.4	12.1
Food and Beverage Departmental Income Ratio to Room Sales	8.6%	5.8%	48.3
Productivity Index			
Food & Beverage	2.45	2.33	5.2
Total	3.50	2.83	23.7
Balance Sheet Ratios			
Current Position	$1.13	$.69	63.8
Accounts Receivable Ratio to Total Sales	3.0%	3.2%	(6.2)
Food Inventory Turnover	23	21	9.5
Beverage Inventory Turnover	8	8	0.0
Ratio of Total Sales to Total Assets	98.8%	59.6%	65.8
Ratio of Net Income Before Income Taxes to Total Sales	12.2%	(9.3)%	—
Return on Total Assets	12.1%	(5.5)%	—

*All figures are medians.

Exhibit 11
Independent and Chain Affiliated*

	Independent	Chain-Affiliated	Independent Differs By
Occupancy	63.3%	71.3%	(11.2)
Double Occupancy	46.4	41.6	11.5
Average Rate	$45.82	$37.24	23.0
Amount Per Available Room			
Sales			
Rooms	$11,173	$ 9,630	16.0
Food	5,652	2,945	91.9
Beverage	2,006	1,389	44.4
Other	1,331	894	48.9
Total Sales	17,999	13,809	30.3
Payroll & Related Expenses	6,603	4,147	59.2
Undistributed Expenses (Excluding Payroll)			
Administrative & General	1,314	1,008	30.4
Marketing	533	385	38.4
Energy Costs	991	755	31.3
Property Operation & Maintenance	644	487	32.2
Income Before Fixed Charges	3,802	4,763	(20.2)
Fixed Charges	3,581	2,542	40.9
Net Income (Loss) Before Income Tax	$449	$1,805	(75.1)
Number of Times Rate Was Earned	97	127	(23.6)
Net Cost of Operation Per Dollar of Average Room Rate	$134	$137	(2.2)
Ratio of Income Before Fixed Charges to:			
Room Sales	39.3%	48.0%	(18.1)
Total Sales	24.0	32.2	(25.5)
Cost of Food Sales (After Credit for Employees' Meals)	37.2¢	35.2¢	5.7
Cost of Beverage Sales	24.0	22.1	8.6
Food and Beverage Departmental Income Ratio to Room Sales	10.8%	7.7%	40.3
Productivity Index			
Food & Beverage	2.50	2.39	4.6
Total	2.96	3.42	(13.5)
Balance Sheet Ratios			
Current Position	$.96	$.99	(3.0)
Accounts Receivable Ratio to Total Sales	3.5%	2.9%	20.7
Food Inventory Turnover	25	22	13.6
Beverage Inventory Turnover	7	8	(12.5)
Ratio of Total Sales to Total Assets	92.1%	87.3%	5.5
Ratio of Net Income Before Income Taxes to Total Sales	8.5%	13.4%	(36.6)
Return on Total Assets	7.8%	11.7%	(33.3)

*All figures are medians.

net income before income taxes and net loss. Exhibit 11 shows the difference between the chain operated establishments and those that are operated independently. Exhibit 12 provides a comparison by the various locations and how their performance stacks up against last year.

One of the key indicators of profitability is the percentage of occupancy. By this measure, Exhibit 10 shows that the net income properties were clearly ahead of the net loss properties. The higher level of activity enabled management to earn considerably higher revenue per room, 13.3 percent above the net loss group. More importantly, costs in the net income group were consistently below those in the net loss group. This ability to generate higher revenue from relatively lower expenditures was a key factor in management of the net income group's ability to attain higher productivity and much better utilization of the property's assets.

The benefits of chain affiliation are not readily apparent in Exhibit 11. While the percentage of occupancy was considerably higher in the chain-affiliated properties, both the percentage of double occupancy and the average rate were higher in the independent properties. The higher average rate, in turn, permitted management of the independent properties to achieve a difference of more than 30 percent in total sales per room. However, unlike the net income group mentioned earlier, management of the independents was not able to achieve higher revenue on relatively lower expenditures. The chain-affiliated properties consistently reported lower payroll and related expenses, undistributed expenses and fixed charges than the inde-

Exhibit 12
Comparison of Data by Location*

	Center City		Airport		Suburban		Highway		Resort	
	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980
Occupancy	67.0%	67.0%	72.1%	74.3%	70.7%	68.7%	71.6%	71.6%	64.2%	72.7%
Double Occupancy	38.3	38.2	31.0	23.3	35.7	24.1	41.0	27.6	75.0	77.5
Average Rate	$ 48.48	$ 43.53	$ 38.58	$ 38.51	$ 38.38	$ 34.42	$ 34.63	$30.68	$ 51.37	$ 39.97
Amount Per Available Room										
Sales										
Rooms	$11,273	$10,256	$10,162	$10,176	$10,116	$ 9,029	$ 9,356	$ 7,738	$12,078	$10,868
Food	3,687	4,054	3,055	3,269	3,020	2,893	2,482	2,956	5,398	4,764
Beverage	1,592	1,733	1,355	1,480	1,525	1,886	1,291	1,566	2,137	1,937
Other	1,197	1,091	938	1,592	857	1,054	802	1,047	1,212	968
Total Sales	$18,037	$17,535	$13,814	$15,048	$16,406	$13,458	$13,911	$10,553	$21,319	$19,129
Payroll & Related Expenses	5,974	6,865	4,174	4,943	4,857	4,022	3,927	3,371	6,895	5,299
Undistributed Expenses (Excluding Payroll)										
Administrative & General	1,159	1,127	1,153	1,033	921	1,033	1,001	797	1,555	907
Marketing	565	581	473	578	298	551	363	530	678	537
Energy Costs	916	914	748	704	809	750	728	662	1,207	816
Property Operation & Maintenance	538	504	435	556	510	449	431	374	659	503
Income Before Fixed Charges	4,876	4,657	4,935	4,694	5,067	4,068	5,016	3,800	4,601	5,259
Fixed Charges	3,281	2,446	2,545	3,151	2,468	2,789	2,507	2,278	3,593	2,827
Net Income (Loss) Before Income Tax	$1,271	$ 1,522	$ 2,358	$ 1,441	$ 1,930	$ 651	$ 2,257	$ 2,007	$ 908	$ 2,021
Number of Times Rate Was Earned	106	104	134	131	139	117	136	118	103	129
Net Cost of Operation Per Dollar of Average Room Rate	$ 141	$ 143	$ 139	$ 129	$ 131	$ 137	$ 132	$ 130	$ 139	$ 142
Ratio of Income Before Fixed Charges to:										
Room Sales	42.8%	41.1%	47.1%	48.2%	51.8%	44.7%	50.4%	49.5%	43.1%	49.6%
Total Sales	26.8	25.1	33.5	30.3	33.9	28.6	30.6	30.8	24.3	28.3
Cost of Food Sales (After Credit For Employees' Meals)	34.3¢	34.4¢	34.8¢	35.2¢	36.2¢	36.6¢	36.5¢	39.0¢	35.1¢	34.1¢
Cost of Beverage Sales	21.9	22.3	21.7	19.9	23.2	21.3	22.8	24.1	22.8	21.7
Departmental Income Ratio to Room Sales	6.8%	8.1%	8.2%	11.0%	7.0%	10.7%	7.8%	10.6%	10.5%	11.1%
Productivity Index										
Food & Beverage	2.22	2.19	2.55	2.64	2.48	2.68	2.62	2.78	2.50	2.60
Total	2.98	2.86	3.45	3.36	3.47	3.31	3.42	3.49	3.08	3.21
Balance Sheet Ratios										
Current Position	$ .95	$ 1.09	$ .89	$ .57	$ .89	$ .97	$ .96	$ .70	$ .91	$ 1.13
Accounts Receivable Ratio to Total Sales	4.0%	4.7%	3.1%	4.2%	3.2%	3.1%	2.6%	3.5%	3.3%	3.7%
Food Inventory Turnover	25	28	23	31	22	29	20	34	22	27
Beverage Inventory Turnover	7	8	9	10	9	10	9	13	8	6
Ratio of Total Sales to Total Assets	92.6%	88.3%	81.1%	106.2%	123.4%	65.7%	94.9%	84.9%	91.4%	66.6%
Ratio of Net Income Before Income Taxes to Total Sales	10.4%	8.3%	20.4%	10.1%	11.3%	5.3%	13.7%	16.1%	11.4%	10.6%
Return on Total Assets	9.6%	7.3%	16.5%	10.7%	13.9%	3.5%	13.0%	13.7%	10.4%	7.1%

*All figures are medians.

pendent properties. For payroll and related expenses, this difference amounted to nearly 60 percent. This ability to maintain lower expenditure levels enabled management of the chain-affiliated properties to earn a much higher income before fixed charges and net income before income tax. Partly because of the advantage of being able to purchase goods in large quantities, the chain-affiliated properties also reported lower food and beverage costs. The productivity indices were mixed in this analysis with the independent properties showing higher food and beverage productivity and the chain-affiliated properties reporting higher overall productivity.

As shown in Exhibit 12, the occupancy rate remained constant from 1980 to 1981 for center city and highway properties at 67 percent and 71.6 percent, respectively. Occupancies were down considerably for the resort properties, slightly lower for airport properties and moderately higher for suburban properties. Properties located in each of the different areas reported higher income before fixed charges per room, with the exception of the resort hotels. While the resort hotels reported higher total sales compared with last year's performance, the cost of operations for these establishments rose well in excess of last year's results.

Analysis of operated departments

The next eight exhibits show the results of the various operated departments. Exhibits 13 and 14

Exhibit 13
Composition of Sales*

	Age				Size				Location	
	Built Pre-1940	1940-1959	1960-1969	Post 1970	Under 150 Rooms	150-299	300-600	Over 600 Rooms	Center City	Airport
Rooms	59.2	67.8	63.6	59.5	76.8	65.1	60.5	59.9	65.4	65.6
Food	24.3	16.4	21.6	24.1	11.2	19.5	24.0	23.9	20.6	18.4
Beverage	8.5	9.0	9.7	10.6	5.0	9.5	9.5	9.2	8.1	9.8
Telephone	2.4	2.8	2.7	2.6	1.6	2.9	2.6	2.5	2.9	2.8
Minor Operated Departments	2.5	.6	.9	1.4	2.6	1.1	1.7	1.8	1.4	.9
Rentals & Other Income	3.1	3.4	1.5	1.8	2.8	1.9	1.7	2.7	1.6	2.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.
**Data for these properties were excluded from all other categories.

Exhibit 14
Sales Per Guest Stay*

	Location				Market		Those Reporting	
	Center City	Airport	Suburban	Resort	Convention	Other	Net Income	Net Loss
Rooms	$166.76	$81.76	$72.19	$177.71	$150.85	$136.85	$152.21	$95.92
Food	70.45	36.60	36.66	111.52	127.13	66.75	73.46	54.92
Beverage	26.88	15.56	24.14	39.60	46.90	26.04	30.51	20.61
Telephone	9.22	4.08	3.18	1.99	6.39	6.16	5.76	5.61
Minor Operated Departments	5.88	.94	1.08	7.99	5.48	4.03	5.07	1.61
Rentals & Other Income	6.96	1.84	1.47	5.62	5.47	5.84	6.88	4.36
Total	$286.15	$140.78	$138.72	$344.43	$342.22	$245.67	$273.89	$183.03
Average Stay (Days)	2.6	1.8	1.9	3.6	2.0	2.6	2.8	2.0

*Based on arithmetic mean.

illustrate the composition of sales in relation to total revenue and the amount per guest stay. Exhibits 15-19 provide information on the rooms department, the food and beverage department, the telephone department and minor operated departments.

Exhibit 13 shows that the rooms department generated by far the largest portion of revenue. The analysis by the ratio of food and beverage sales to room sales provided the sharpest contrast in the portion of revenue contributed by the rooms department. In the group of properties with food and beverage sales exceeding 100 percent of room sales, room sales constituted only 40.5 percent of total sales. For those properties that do not contain food and beverage facilities, the contribution of the rooms department exceeded 90 percent. Also, as the size of the property increased, the food and beverage department generated a larger portion of revenue, and the contribution of the rooms department was reduced.

Exhibit 14 presents a breakdown of departmental sales per guest stay. The reader must be cautioned, however, about using this information because of the few questionnaires (less than 15 percent of the contributors) that provided statistics about the number of guest arrivals. However, the information is still useful as a guide to the amount of revenue generated by the guests for their entire stay at a property. Because guests tend to stay longer at resort proper-

Location			Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales				Reporting	
Suburban	Highway	Resort	Restaurant Not Operated**	Under 50%	50–74%	75–99%	100% & Over	Net Income	Net Loss
65.2	59.2	69.8	90.8	71.5	58.8	51.0	40.5	70.1	62.9
19.7	24.0	17.0	0	16.1	24.3	29.8	37.1	16.2	21.0
9.6	8.5	7.9	0	7.1	11.3	12.9	15.2	7.1	10.0
2.9	2.0	2.6	.5	3.1	2.6	2.3	1.6	2.3	2.6
.9	3.7	1.1	4.3	.7	1.1	2.3	3.6	1.9	1.6
1.7	2.6	1.6	4.4	1.5	1.9	1.7	2.0	2.4	1.9
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

ties, this group reported considerably higher revenue per guest stay. Lodging establishments that cater to conference participants also experienced a high level of sales per guest stay not so much because of long length of stay, but because of the high level of spending that typically accompanies a convention.

Rooms department operation

The median amounts per room and the ratio to total sales for the primary revenue and expense items in the rooms department are shown in Exhibit 15 by the various size categories. Both revenue and expenses tended to increase as the size of the property increased. However, the rooms department expenses did not increase at the same rate as revenue, resulting in net departmental income in properties with more than 600 rooms being nearly double the net departmental income for those with under 150 rooms.

Exhibit 16 provides information on the cost of the various rooms expenses per occupied room per day within the various occupancy groupings. Payroll and related expenses declined as the occupancy rate increased. This illustrates that these costs tend to be

Exhibit 15
Rooms Department
Median Amounts Per Room and Ratios to Sales*

	Size			
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms
Revenue				
Room Sales	$9,075	$9,985	$13,068	$16,378
Allowances	(46)	(64)	(87)	(93)
Net Revenue	8,740	9,891	12,667	16,198
Departmental Expenses				
Payroll & Related Expenses	1,667	1,662	2,129	2,547
Commissions	11	42	105	130
Contract Cleaning	21	19	25	73
Linen	105	117	120	138
Laundry & Dry Cleaning	24	47	221	254
Operating Supplies	243	195	242	264
Other Operating Expenses	30	81	73	64
Reservation Expense	92	91	81	105
Uniforms	17	22	29	30
Total Expense	2,168	2,384	3,123	3,848
Net Departmental Income	$6,439	$7,495	$ 9,720	$11,978
Ratio to Total Sales				
Net Revenue	77.7%	66.1%	58.0%	58.0%
Payroll & Related Expenses	14.7	11.3	9.7	9.4
Net Departmental Income	56.4	50.4	44.1	42.5

*All figures are medians and do not necessarily add to totals shown.

fixed to a certain extent. Nearly all of the groups reported increases in total departmental expenses per occupied room per day over 1980. Incidentally, the amount of total expenses can be extremely useful in pricing the rooms to ensure that both fixed and variable costs are being recovered.

Restaurant operations

An analysis of the food and beverage department is presented in Exhibits 17-19 (pages 47-51). The ratios to food and beverage sales for selected groups are shown in Exhibit 17; statistics of sales per room and per seat, average receipt per guest and other measurements are presented in Exhibit 18. The major ingredients of operating cost, the cost of sales and cash payroll, sometimes called the "prime cost," are shown for the sample in Exhibit 19.

Exhibit 17 contains the departmental ratios for operations with low and high food and beverage sales, low and high occupancy, those reporting net income and net loss, and those catering primarily to conventions.

The performance of the food and beverage department was particularly disappointing during 1981. For the past several years, this department has been steadily improving as a key profit center. How-

Exhibit 16
Rooms Department Expenses
Per Occupied Room Per Day*—By Occupancy

	Occupancy				
	Under 50%	50-59%	60-69%	70-79%	80% & Over
Payroll & Related Expenses	$ 8.61	$ 7.18	$6.97	$6.76	$ 6.39
Commissions (Including Travel Agents)	.07	.17	.15	.25	.14
Contract Cleaning	.10	.09	.09	.09	.10
Laundry & Dry Cleaning	.58	.48	.51	.45	.48
Linen	.20	.53	.30	.73	.14
Operating Supplies	1.11	.81	.83	.83	.96
Other Operating Expenses	.34	.30	.24	.30	.11
Reservation Expense	.38	.43	.35	.37	.29
All Other Expenses	.12	.09	.08	.09	.09
Total—1981	$11.29	$10.06	$9.42	$9.71	$ 8.77
Total—1980	$ 9.21	$ 8.77	$9.31	$9.01	$10.10
Increase (Decrease)	22.6%	14.7%	1.2%	7.8%	(13.2)%

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

ever, during 1981, departmental income in each category failed to exceed 25 percent of total sales, which is typically the measure of whether the department is producing enough earnings to cover its fair share of the overhead costs of operating the property. For the entire sample, the departmental income was 18.4 percent of total food and beverage revenue during 1981 compared with 18.9 percent during 1980. The productivity index also declined from last year's levels in each of the categories included in the exhibit.

An extensive analysis of the key performance measures relating to the food and beverage department is presented in Exhibit 18. Sales per room, sales per seat, average checks and similar statistics are provided for selected groups by size, by restaurant volume in relation to room sales, by location and for those catering primarily to conventions. The size of the property is a very strong factor in the levels of these various measures. As size of the property increases, food and beverage sales per room, the average check, dining room covers per seat and room service sales per occupied room and per guest all increase.

While some of these differences are due to higher sales per room in the dining room, the bulk of the difference can be attributed to the sales generated by the banquet facilities. As the table below illustrates, the larger properties are much more likely to provide banquet facilities but these facilities also tend to be considerably larger than in the smaller properties.

Size of Property	Percent of Respondents Providing Banquet Facilities	Number of Banquet Seats Per 100 Rooms
Under 150 Rooms	83.7%	158
150-299	94.3	234
300-600	94.5	687
Over 600	98.0	674

Another group of properties that also tended to provide large banquet facilities more frequently were those that cater to conventions. This group provided an average of 375 banquet seats per 100 rooms compared with only 225 for the entire sample.

When the data are analyzed by location, it is apparent that the resort properties generated considerably more food and beverage sales per room than those in any of the other locations. Resort properties also reported earning a higher average check and, with the exception of the suburban properties, higher food and beverage sales per seat.

(Text continued on page 52)

Exhibit 17
Restaurant Operations—By Selected Criteria*

	Food & Beverage Sales Ratio to Room Sales		Occupancy		Establishments Reporting		Market
	Under 50%	100% & Over	Under 50%	80% & Over	Net Income	Net Loss	Convention
Sales							
Food	70.8%	71.6%	72.5%	72.1%	71.9%	70.6%	73.3%
Beverage	30.2	28.4	27.5	28.1	28.4	29.9	26.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales							
Cost of Food Consumed	36.8%	39.4%	42.0%	36.0%	36.3%	40.3%	37.9%
Less Cost of Employees' Meals	(2.4)	(2.7)	(4.2)	(2.8)	(2.4)	(3.4)	(4.4)
Cost of Food Sold	35.4%	36.9%	37.6%	34.1%	34.6%	37.4%	34.0%
Cost of Beverages Sold	22.4	23.2	26.6	20.6	21.4	24.0	21.9
Total Cost of Sales	31.6%	32.7%	34.7%	30.3%	30.7%	32.8%	30.7%
Gross Profit	68.4%	67.3%	65.3%	69.7%	69.3%	67.2%	69.3%
Public Room Sales	3.1	2.2	2.2	2.7	2.7	2.4	1.9
Other Income	.1	.6	.3	.3	.3	.4	1.0
Total	71.7%	70.0%	68.3%	73.2%	72.3%	70.0%	73.0%
Departmental Expenses							
Payroll & Related Expenses	44.1%	34.7%	44.2%	41.3%	40.7%	42.9%	41.7%
China, Glassware, Silver & Linen	1.4	1.8	2.0	1.4	1.5	1.8	1.7
Contract Cleaning	.3	.3	.3	.2	.2	.3	.2
Kitchen Fuel	.5	.3	.7	.3	.4	.5	.4
Laundry & Dry Cleaning	.8	.9	.5	.9	.9	.7	1.1
Licenses	.4	.1	.3	.2	.2	.2	.1
Music & Entertainment	3.3	2.0	3.8	2.8	2.7	3.8	2.1
Operating Supplies	2.7	2.5	3.5	2.2	2.4	3.3	1.8
Other Operating Expenses	1.1	1.1	1.1	.8	1.0	1.2	1.0
Uniforms	.5	.4	.4	.4	.4	.5	.3
All Other Expenses	1.2	.7	1.4	1.2	1.1	1.5	1.9
Total	56.2%	45.1%	59.5%	52.9%	52.4%	58.0%	51.8%
Departmental Income	15.5%	23.2%	9.0%	20.1%	20.4%	11.8%	22.2%
Productivity Index	2.27	2.88	2.26	2.42	2.45	2.33	2.40

*All figures are medians and do not necessarily add to totals shown.

Exhibit 18
Food and Beverage Statistics—By Selected Criteria*

	Size				Food and Beverage Sales Ratio to Room Sales	
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Under 50%	50–74%
Food Sales—By Facility						
Amount Per Available Room						
Dining Room	$2,011	$2,049	$2,934	$3,171	$1,734	$2,800
Room Service	214	283	364	474	270	507
Banquet	473	808	1,987	2,743	463	1,829
Bar/Lounge	220	73	147	76	34	111
Total	$2,398	$2,841	$5,400	$6,726	$2,357	$4,371
Ratio to Total Food Sales						
Dining Room	80.6%	71.2%	57.5%	50.0%	78.5%	58.5%
Room Service	3.7	5.7	6.2	7.6	8.6	7.3
Banquet	21.5	27.1	36.3	39.5	21.2	38.7
Bar/Lounge	3.7	2.1	2.8	1.5	1.3	2.5
Amount Per Seat						
Dining Room	$3,755	$4,158	$5,271	$4,856	$3,578	$4,260
Banquet	776	755	733	760	454	677
Bar/Lounge	294	90	417	234	63	122
Total	$2,452	$1,944	$1,689	$1,744	$1,592	$1,464
Average Check						
Dining Room	$6.81	$5.61	$6.33	$7.11	$5.31	$6.44
Room Service	5.22	5.92	6.15	9.15	6.06	8.30
Banquet	8.04	9.45	10.87	15.72	9.61	11.61
Total	$5.26	$6.49	$7.51	$9.23	$5.69	$7.32
Covers Served Per Seat						
Dining Room	556	681	782	899	611	766
Banquet	97	76	81	52	54	48
Room Service Sales						
Per Occupied Room						
Food	$ .82	$ 1.17	$ 1.34	$ 1.91	$ 1.07	$ 1.88
Beverage	.14	.25	.40	.93	.25	.62
Total	$ 1.01	$ 1.30	$ 1.65	2.93	$ 1.19	$ 2.44
Per Guest						
Food	$ .58	$ 1.10	$ .99	$ 1.28	$ .83	$ 1.37
Beverage	.09	.16	.29	.63	.18	.47
Total	$ .67	$ 1.11	$ 1.18	$ 1.97	$ .92	$ 1.81

*All figures are medians and do not necessarily add to totals shown.

Food and Beverage Sales Ratio to Room Sales		Location					Market
75–99%	100% & Over	Center City	Airport	Suburban	Highway	Resort	Convention
$3,993	$5,277	$2,228	$2,241	$2,123	$2,050	$3,870	$3,480
387	317	384	336	324	294	386	445
2,547	3,583	1,220	727	817	618	1,141	2,908
182	444	90	104	90	41	182	85
$7,020	$9,958	$3,687	$3,055	$3,020	$2,482	$5,398	$7,037
56.1%	60.0%	63.7%	77.4%	72.8%	74.5%	76.1%	52.8%
5.0	3.2	7.8	6.4	4.4	4.9	4.7	6.3
36.4	35.5	31.5	23.1	27.4	25.5	23.8	42.2
2.2	2.8	1.9	1.2	2.6	2.0	2.5	1.7
$4,557	$6,037	$3,904	$5,638	$5,826	$4,951	$4,158	$4,953
1,184	818	533	703	809	755	1,155	864
417	538	242	60	869	71	430	343
$2,007	$1,894	$1,422	$1,894	$5,464	$1,493	$2,423	$1,921
$ 6.92	$ 7.42	$ 7.13	$ 6.29	$ 4.83	$ 5.50	$ 6.75	$ 7.48
6.03	5.50	6.61	5.84	4.51	5.92	6.01	6.04
12.05	10.80	11.82	9.48	8.24	7.78	10.93	11.90
$ 8.43	$ 8.13	$ 7.51	$ 5.85	$ 5.79	$ 6.68	$ 6.89	$ 8.66
894	791	586	947	1,028	884	506	596
85	105	51	79	122	84	102	76
$ 1.54	$ 1.48	$ 1.70	$ 1.18	$ 1.29	$ 1.14	$ 1.20	$ 2.12
.45	.50	.59	.27	.49	.22	.51	.78
$ 1.84	$ 1.58	$ 2.31	$ 1.42	$ 1.47	$ 1.26	$ 1.50	$ 2.85
$ 1.12	$ 1.31	$ 1.08	$ .84	$ 1.28	$ .91	$ .84	$ 1.57
.30	.73	.46	.19	.73	.21	.15	.59
$ 1.38	$ 2.14	$ 1.47	$ 1.02	$ 1.97	$ 1.09	$ .67	$ 2.20

(Continued on next page)

Exhibit 18 (continued)*

	Size				Food and Beverage Sales Ratio to Room Sales	
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Under 50%	50–74%
Beverage Sales—By Facility						
Amount Per Available Room						
Dining Room	$1,126	$ 745	$ 866	$ 825	$ 669	$ 969
Room Service	31	57	103	238	72	169
Banquet	142	235	616	744	121	459
Bar/Lounge	1,060	1,213	1,118	644	783	1,340
Total	$1,211	$1,462	$2,136	$2,543	$1,065	$2,109
Ratio to Beverage Sales						
Dining Room	92.6%	54.0%	37.6%	34.4%	76.6%	45.3%
Room Service	2.2	2.8	4.3	8.4	5.8	5.6
Banquet	8.7	14.4	23.6	24.9	10.7	2 .6
Bar/Lounge	100.0%	94.0%	58.1%	26.7	100.0%	62.5
Ratio to Food Sales						
Dining Room	55.8%	25.5%	22.3%	24.9%	41.3%	34.0%
Room Service	17.6	20.2	25.4	41.7	24.3	27.7
Banquet	20.5	23.6	23.5	25.6	21.4	23.9
Total (Including Bar/Lounge)	43.5%	43.3%	38.2%	38.8%	43.0%	41.2%
Amount Per Seat						
Dining Room	$1,498	$ 480	$ 999	$1,299	$ 384	$ 635
Banquet	1,068	803	769	548	906	753
Bar/Lounge	135	179	154	238	108	155
Total	$2,425	$2,617	$3,501	$2,390	$2,351	$2,513

*All figures are medians and do not necessarily add to totals shown.

Exhibit 19
Restaurant Operations—Cost of Sales and Cash Payroll*

Food & Beverage Sales Ratio to Room Sales	Cost of Sales & Cash Payroll		Increase (Decrease)
	1981	1980	
Under 50%	68.0%	67.2%	1.2%
50–74%	63.0	62.3	1.1
75–99%	62.9	61.0	3.1
100% & Over	65.6	61.0	7.5

*Based on arithmetic mean.

Food and Beverage Sales Ratio to Room Sales		Location					Market
75–99%	100% & Over	Center City	Airport	Suburban	Highway	Resort	Convention
$ 941	$1,651	$ 821	$ 985	$ 549	$ 673	$1,142	$ 589
106	130	137	70	105	52	109	162
683	976	540	174	431	247	423	807
1,382	1,882	784	1,093	1,206	1,149	1,295	984
$2,867	$4,394	$1,592	$1,355	$1,525	$1,291	$2,137	$2,747
33.7%	39.4%	41.3%	84.9%	20.7%	28.1%	62.4%	31.0%
3.3	2.8	6.3	2.8	3.2	2.2	3.4	6.8
23.7	24.1	21.7	14.0	18.5	11.4	19.0	28.5
45.2%	49.5%	63.2%	90.8%	100.0%	100.0%	52.4%	36.0%
21.6%	20.7%	26.1%	41.7%	17.1%	19.3%	28.1%	19.3%
27.8	27.8	27.8	22.6	25.4	21.3	24.5	36.2
25.4	28.7	25.6	21.3	24.9	22.3	23.5	24.1
38.6%	39.6%	39.1%	40.1%	42.7%	44.9%	36.6%	36.4%
$ 938	$ 983	$ 664	$ 891	$1,240	$ 524	$ 503	$ 999
691	811	612	1,838	2,354	805	675	667
294	252	144	151	239	132	362	282
$2,956	$2,684	$2,561	$2,132	$2,443	$2,689	$2,755	$2,654

(Text continued from page 46)

Minor operated departments

The larger properties generated considerably more revenue from the telephone department than the smaller properties, as shown in Exhibit 20. These properties also incurred substantially greater costs, resulting in a larger loss than in the smaller properties. However, revenue from the minor operated departments and the associated net departmental income, along with rentals and other income, were higher for the larger properties than the smaller establishments. By location, while the suburban facilities generated a very high level of revenue in the telephone depart-

Exhibit 20
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*

	Size				Location					Market	
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Center City	Airport	Suburban	Highway	Resort	Convention	Other
Telephone											
Sales	$358	$445	$ 562	$ 685	$ 523	$467	$466	$398	$ 386	$ 548	$453
Cost of Sales											
Cost of Calls	300	377	443	537	446	392	387	366	296	480	381
Equipment Rental	38	77	115	161	120	56	50	59	133	176	89
Total	338	443	572	673	557	454	487	390	393	608	452
Payroll & Related Expenses	46	117	169	175	170	129	127	143	167	164	155
All Other Expenses	45	27	6	5	13	25	33	30	18	2	25
Total Costs & Expenses	414	497	739	878	703	528	514	418	501	724	525
Net Departmental Income or (Loss)	$ (30)	$ (46)	$(143)	$(207)	$(125)	$ (58)	$ (12)	$ (29)	$(130)	$(205)	$ (71)
Ratio to Total Sales											
Sales	2.8%	2.8%	2.6%	2.5%	2.9%	2.9%	2.8%	2.8%	2.0%	2.1%	2.8%
Cost of Sales	2.6	2.7	2.6	2.7	2.8	2.7	2.9	2.7	2.0	1.8	2.7
Payroll & Related Expenses	.3	.6	.7	.7	.7	.7	.5	.6	.6	.6	.7
Minor Operated Departments											
Sales	$ 110	$ 119	$ 273	$ 353	$ 202	$ 136	$106	$145	$ 244	$ 588	$172
Cost of Sales	55	101	94	74	87	88	79	95	100	124	81
Payroll & Related Expenses	114	125	134	115	163	114	86	115	240	308	114
Other Expenses	34	34	12	23	18	39	12	20	84	192	42
Total Costs & Expenses	107	130	178	274	173	178	38	112	253	437	172
Net Departmental Income	$ 1	$ 31	$ 62	$ 66	$ 57	$ 29	$ 77	$ 48	$ 32	$ 168	$ 40
Ratio to Total Sales											
Sales	1.2%	.8%	1.1%	1.6%	1.2%	1.0%	.8%	1.2%	1.1%	2.3&	1.1%
Cost of Sales	.3	.5	.4	.3	.4	.6	.4	.7	.4	.5	.4
Payroll & Related Expenses	1.1	.9	.6	.5	.9	.8	.5	.8	1.2	1.1	.8
Rentals & Other Income											
Space Rentals	$ 15	$ 57	$ 73	$ 206	$ 116	$ 51	$ 36	$ 72	$ 214	$ 127	$148
Concessions	51	46	40	44	37	64	30	48	80	23	48
Commissions	95	25	35	42	28	17	18	26	44	38	17
Other	24	66	117	81	67	61	61	74	162	169	56
Total Rentals & Other Income	$ 66	$135	$ 239	$ 488	$ 178	$120	$100	$201	$ 352	$ 323	$178
Ratio to Total Sales	.6%	.8%	1.3%	1.8%	1.1%	.8%	.6%	1.2%	1.9%	1.5%	1.1%

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

ment, management succeeded in holding down costs so that the loss in this department for these properties was the lowest of any of the groups analyzed.

Payroll and related expenses

An analysis of the available information on staffing levels per 100 available and 100 occupied rooms, and sales per employee is shown in Exhibit 21. The medians and quartiles were determined for those properties reporting the number of employees in the departments listed so that the detail does not add to the totals shown. The number of employees represents full-time equivalents, i.e., the number of hours worked has been divided by the standard work hours to obtain the number of employees in each position.

The sales per departmental employee is one measure of employee productivity and also supplies a test of staffing levels when unusual circumstances affect the composition of sales.

Exhibit 22 (page 54) shows cash payroll, employee benefits and employment statistics for those properties providing the data in each of the size groups, for the median and high occupancy groups, for those with low and high restaurant volume, and for those reporting net income and net loss.

Payroll per room and per employee generally increased as the size of the property increased, but sales per employee failed to increase at a corresponding rate. This resulted in the larger properties having a lower productivity than the smaller establishments. When analyzed by occupancy, the more successful establishments achieved considerably higher productivity, even though payroll costs were also substantially higher. This was due to the high level of sales per employee, which in the highest level of occupancy exceeded $50,000. The proper-

(Text continued on page 56)

Exhibit 21
Staffing Levels and Employee Productivity—All Establishments*

	Number of Employees Per 100 Available Rooms			Number of Employees Per 100 Occupied Rooms		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
1) Staffing Levels (Full-Time Equivalent Employees)						
Rooms	16.1	21.6	26.3	24.1	30.4	38.6
Food & Beverage	20.4	30.4	44.6	28.5	43.2	73.6
Telephone	1.0	1.4	1.9	1.5	2.1	3.1
Minor Operated Departments	.7	1.7	3.4	1.2	2.5	5.3
Administrative & General	3.1	4.2	6.1	4.6	6.1	9.4
Marketing—Sales	1.1	1.5	2.2	1.4	2.3	3.4
Marketing—Other	.3	.6	1.0	.5	.8	1.4
Property Operation & Maintenance	2.2	3.0	4.1	3.3	4.5	6.5
Personnel	.4	.5	.8	.5	.9	1.3
House Laundry	1.6	2.1	3.1	2.3	2.9	4.8
Other	.5	1.5	2.2	.8	2.1	3.7
2) Total Employment—Full-Time Equivalent Employees	48.2	63.0	82.9	69.1	86.3	125.1
3) Employee Productivity—Sales Per Full-Time Employee						
Rooms	$48,177	$57,731	$84,245			
Food & Beverage	17,929	25,175	37,489			
Telephone	31,861	47,912	66,500			
Minor Departments	18,654	28,617	61,118			
4) Total Sales Per Employee	$29,550	$36,329	$48,600			

*Based on those supplying detail. All figures are medians or quartiles and do not necessarily add to totals shown.

Exhibit 22
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics—By Selected Criteria*

	Size			
	Under 150 Rooms	150–299	300–600	Over 600 Rooms
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 3,042	$ 3,609	$ 5,854	$ 6,660
Total Payroll & Related Expenses	3,029	4,480	7,573	9,328
Employee Benefits—Ratio to Cash Payroll	24.6%	24.3%	33.0%	37.0%
Cost Per Employee				
Cash Payroll	$ 7,940	$ 8,168	$10,407	$13,047
Total Payroll & Related Expenses	9,650	10,224	13,693	17,317
Employment Statistics				
Sales Per Employee				
Rooms	$50,114	$51,097	$60,341	$83,858
Food & Beverage	21,297	23,199	25,293	38,863
Telephone	54,763	38,167	43,113	64,262
Minor Departments	**	19,737	28,263	40,668
Total Sales Per Employee	$31,411	$31,815	$36,311	$46,579
Productivity Index				
1981	3.74	3.31	3.02	2.88
1980	3.45	3.27	3.00	2.96
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	20.6	22.9	21.7	18.1
Food & Beverage	23.6	31.0	34.0	26.4
Telephone	.9	1.5	1.5	1.1
Minor Departments	**	4.2	1.8	.8
Administrative & General	4.1	3.7	5.3	4.1
Marketing—Sales	.9	1.7	1.8	1.2
Marketing—Other	**	.8	.4	.4
Property Operation & Maintenance	2.8	2.7	3.2	3.2
Personnel	**	.7	.6	.4
House Laundry	1.9	2.1	2.9	1.6
Total	56.8	63.8	66.1	56.4

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Occupancy		Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales		Those Reporting	
60-69%	Over 80%	50-74%	100% or More	Net Income	Net Loss
$ 3,325	$4,677	$ 5,068	$ 7,246	$ 3,858	$ 4,050
4,202	4,450	6,000	9,101	4,270	4,882
28.2%	32.0%	27.2%	25.2%	29.5%	23.8%
$ 8,142	$11,734	$10,858	$ 8,184	$ 9,993	$10,301
9,896	15,707	14,832	10,591	12,751	13,305
$50,114	$85,156	$58,702	$49,693	$60,981	$51,804
20,134	26,019	28,972	25,087	24,415	25,263
49,035	50,197	46,505	38,084	44,954	52,020
22,875	37,786	26,693	21,854	33,378	25,761
$29,602	$51,190	$42,405	$28,179	$39,315	$31,061
3.27	3.96	2.98	2.87	3.75	2.87
3.21	3.51	3.03	3.14	3.32	2.82
22.5	22.5	21.6	24.3	21.5	22.9
33.7	24.9	31.8	54.4	26.7	36.9
1.5	1.5	1.5	1.4	1.3	1.4
1.8	1.0	1.6	2.4	1.3	2.1
5.3	4.5	4.0	5.3	3.7	5.5
1.7	1.2	1.7	1.4	1.3	1.7
.7	1.3	1.1	.7	.6	.5
2.9	3.0	3.1	3.6	3.0	3.0
.8	.4	.6	.8	.4	.7
2.1	1.9	2.2	2.7	2.1	2.0
66.7	60.3	65.0	96.6	60.4	64.4

Exhibit 23
Payroll and Related Expenses
Per Occupied Room Per Day*—By Occupancy

	Occupancy				
	Under 50%	50-59%	60-69%	70-79%	80% & Over
Rooms	$ 8.61	$ 7.18	$ 6.97	$ 6.76	$ 6.39
Food & Beverage	10.22	7.92	7.73	8.03	7.64
Telephone	.74	.74	.66	.54	.60
Minor Operated Departments	.59	.55	.55	.47	.43
Administrative & General	3.87	2.88	2.40	2.56	2.44
Marketing	1.47	1.39	1.01	.94	.72
Property Operation & Maintenance	2.09	1.76	1.49	1.44	1.40
Personnel	.84	.82	.93	.71	.75
House Laundry	.80	.45	.55	.47	.23
Total	$26.63	$20.13	$17.37	$20.74	$13.98

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

(Text continued from page 53)

ties reporting a net income were able to keep payroll costs per room lower than those reporting a net loss and thereby also achieved a much higher productivity level. The productivity index, which is computed by dividing total sales by total payroll and related expenses, was considerably higher for the properties in L&H's survey during 1981 than in 1980.

Departmental payroll and related expenses per occupied room per day at various levels of occupancy is shown in Exhibit 23. In general, there was a tendency

Exhibit 24
Analysis of Undistributed Operating Expenses—By Selected Criteria*

	Age				Size			
	Built Pre-1940	1940-1959	1960-1969	Post 1970	Under 150 Rooms	150-299	300-600	Over 600 Rooms
Administrative & General								
Cost Per Room								
Payroll & Related Expenses	$1,063	$ 565	$ 854	$ 931	$ 476	$ 505	$ 958	$1,070
Other	1,708	1,353	1,254	1,523	927	1,153	1,387	1,561
Total	$2,750	$1,756	$2,096	$2,423	$1,085	$1,698	$2,363	$2,694
Ratio to Room Sales	20.4%	20.0%	18.5%	20.1%	12.4%	18.6%	18.1%	16.6%
Ratio to Total Sales	11.8%	13.4%	11.0%	11.6%	10.1%	11.5%	10.5%	10.1%
Marketing								
Cost Per Room								
Payroll & Related Expenses	$ 333	$ 160	$ 241	$ 309	$ 126	$ 229	$ 329	$ 354
Other	881	455	641	789	200	457	690	807
Total	$1,134	$ 555	$ 889	$1,093	$ 227	$ 664	$1,085	$1,204
Ratio to Room Sales	8.3%	6.3%	7.0%	8.5%	2.9%	7.0%	7.6%	7.7%
Ratio to Total Sales	4.5%	3.5%	4.0%	4.8%	2.3%	4.3%	4.4%	4.4%
Energy Costs								
Cost Per Room	$1,162	$ 890	$1,020	$ 958	$ 622	$ 792	$1,009	$1,351
Ratio to Room Sales	8.1%	7.9%	8.7%	8.9%	7.4%	8.5%	8.2%	8.6%
Ratio to Total Sales	4.9%	5.5%	5.5%	5.1%	5.5%	5.5%	4.7%	4.9%
Property Operation & Maintenance								
Cost Per Room								
Payroll	$ 966	$ 366	$ 474	$ 419	$ 287	$ 335	$ 559	$ 763
Other	797	508	609	548	453	494	559	767
Total	$1,947	$ 880	$1,096	$ 961	$ 639	$ 818	$1,127	$1,486
Ratio to Room Sales	14.3%	8.9%	8.9%	8.2%	7.3%	8.7%	9.1%	9.1%
Ratio to Total Sales	8.2%	5.8%	5.8%	4.7%	5.4%	5.7%	5.3%	5.7%

*All figures are medians.

for these costs to decline as the occupancy rate increased. This is primarily due to the fixed nature of the payroll costs in the undistributed operating departments which do not vary as occupancy changes. The group of properties with the percentage of occupancy falling between 70-79 percent did not follow this general pattern. Upon closer analysis, it appears that this group experienced unusually large payroll costs in the food and beverage department and in the administrative and general department.

Undistributed operating expenses

The amount per room of the undistributed operating expenses did not exhibit a definite pattern except when the sample was analyzed by size or by restaurant volume, illustrated in Exhibit 24. There is a clear tendency for administrative and general, marketing, property operation and maintenance, and energy costs to increase as the size of the property increases and as the ratio of food and beverage sales to room sales increases. From 1980 to 1981, these expenses did not increase or decrease on a consistent basis, but there was a tendency for the administrative and general and energy expenses to be somewhat higher in 1981 while marketing and property operation and maintenance remained fairly constant.

Occupancy					Restaurant Not Operated	Restaurant Operated Food and Beverage Sales Ratio to Room Sales			
Under 50%	50-59%	60-69%	70-79%	80% & Over		Under 50%	50-74%	75-99%	100% & Over
$ 585	$ 586	$ 568	$ 688	$ 741	$ 524	$ 475	$ 855	$1,027	$1,200
1,013	943	1,115	1,337	1,042	890	953	1,407	1,738	1,378
$1,348	$1,503	$1,700	$2,046	$1,304	$ 907	$1,447	$2,300	$2,720	$2,756
24.8%	20.3%	19.5%	16.7%	11.1%	10.4%	14.9%	20.7%	24.2%	25.6%
15.4%	11.9%	11.7%	10.0%	9.5%	9.5%	10.8%	11.9%	12.3%	10.1%
$ 233	$ 271	$ 239	$ 253	$ 229	$ 230	$ 172	$ 280	$ 346	$ 362
345	413	490	637	276	139	408	656	762	963
$ 525	$ 657	$ 692	$ 882	$ 355	$ 140	$ 582	$ 930	$1,128	$1,320
8.0%	8.9%	7.2%	6.8%	2.6%	1.7%	5.6%	7.9%	8.8%	11.4%
4.7%	5.0%	4.2%	4.2%	2.1%	1.5%	3.9%	4.6%	4.4%	4.5%
$ 735	$ 786	$ 807	$ 889	$ 713	$ 473	$ 766	$ 942	$1,218	$1,288
11.9%	10.0%	8.6%	7.6%	5.8%	5.6%	7.9%	8.8%	10.2%	10.9%
7.7%	6.2%	5.7%	4.9%	4.3%	5.1%	5.6%	5.0%	5.3%	4.5%
$ 330	$ 348	$ 364	$ 388	$ 448	$ 379	$ 319	$ 447	$ 591	$ 508
501	488	468	572	549	583	435	564	762	815
$ 795	$ 855	$ 811	$ 942	$ 836	$ 434	$ 798	$1,057	$1,380	$1,400
12.5%	11.4%	9.1%	8.1%	6.6%	4.8%	8.0%	9.3%	11.9%	12.5%
8.1%	7.0%	5.7%	5.1%	4.8%	4.4%	5.7%	5.4%	5.8%	5.3%

One of the most significant costs included in administrative and general expenses is management fees. The range of amounts per room and ratio to total sales of management fees for 1981, along with comparisons with 1980, are shown in Exhibit 25 for all properties reporting such data. During 1981, this item was reported by 71.1 percent of the sample, slightly higher than the 70.5 percent reporting in 1980. The amount per room and the ratio to total sales of management fees reversed the slight drop reported in 1980 and increased substantially during 1981. The median amount per room increased 20.9 percent to $561.

How management allocated the expense dollar in the marketing department is shown in Exhibit 26 for those properties that provided a detailed breakdown. In addition to showing the allocation for the entire sample, the exhibit presents the marketing

Exhibit 25
Management Fees—All Establishments

	Lower Quartile	Median	Upper Quartile
Amount Per Room			
1981	$383	$561	$913
1980	$334	$464	$816
Ratio to Total Sales			
1981	3.0%	4.4%	6.1%
1880	2.7%	3.1%	4.5%

Exhibit 26
How the Marketing Dollar Was Spent*

		Location					Market
	Mean, All Establishments	Center City	Airport	Suburban	Highway	Resort	Convention
Payroll & Related Expenses							
Sales	21.7%	25.5%	22.3%	25.6%	19.9%	20.5%	32.0%
Other	.3	.3	.7	.3	.2	1.0	2.7
Sales							
Travel & Entertainment	4.3	6.3	2.8	4.2	4.0	6.6	8.5
Other	2.6	3.9	2.8	2.9	1.6	3.6	6.7
Advertising							
Print	17.1	19.5	15.4	21.3	17.1	26.5	19.1
Radio & TV	4.9	3.5	8.8	2.2	4.1	6.5	.8
Outdoor	6.6	3.7	10.0	3.0	17.4	7.4	2.4
Other	4.1	6.1	5.2	2.2	2.8	5.5	5.1
Merchandising	2.7	2.5	3.2	1.4	3.2	4.1	3.0
Public Relations & Publicity	5.2	3.8	4.1	2.6	3.0	2.2	3.1
Fees & Commissions							
Franchise Fees	9.3	10.8	8.0	18.9	17.3	6.7	5.5
Other	1.9	2.7	.5	5.4	1.7	1.4	3.6
All Other Selling & Promotion Expenses	19.3	11.4	16.2	10.0	7.7	8.0	7.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Marketing Cost Index	$24.51	$22.28	$20.29	$27.67	$28.89	$20.81	$17.72

*Based on those supplying detail.

dollar by location and for those establishments that cater primarily to conventions.

Energy costs per occupied room per day for all establishments providing sufficient detail are shown in Exhibit 27 by location. The increase in 1981 of 14 percent was substantially less than the increase of 30.9 percent from 1979 to 1980. There was still a wide variability in the rate of increase with management of suburban properties succeeding in holding the cost increases to 9.7 percent, while in the resort properties there was a remarkably high 33.1 percent increase. Nearly all of the increase from 1980 to 1981 was due to higher electricity costs.

Exhibit 28 shows the allocation of property operation and maintenance for the properties providing sufficient detail along with an analysis of this allocation by the age of the property. While Exhibit 23 illustrates the general tendency of management of

Exhibit 27
Energy Costs Per Occupied Room Per Day*—By Location

		Location				
	Mean, All Establishments	Center City	Airport	Suburban	Highway	Resort
Fuel	$ .87	$ .86	$ .67	$ .85	$ .70	$1.13
Electricity	2.75	2.76	2.40	2.43	2.26	3.79
Water	.33	.32	.28	.26	.30	.50
Steam	.15	.43	.06	.03	.06	.01
Subtotal	$4.10	$4.37	$3.41	$3.57	$3.32	$5.43
Credit For Sale of Energy	(.04)	(.04)	(.04)	(.05)	(.02)	(.04)
Net Cost						
1981	$4.06	$4.33	$3.37	$3.52	$3.30	$5.39
1980	$3.56	$3.98	$2.97	$3.21	$2.83	$4.05
Increase (Decrease)	14.0%	8.8%	13.5%	9.7%	16.6%	33.1%

*Based on arithmetic mean.

Exhibit 28
How the Property Operation and Maintenance Dollar Was Spent—By Age*

		Age			
	Mean, All Establishments	Built Pre-1940	1940–1959	1960–1969	1970s
Payroll & Related Expenses	42.7%	50.7%	44.3%	43.1%	41.3%
Building	6.1	6.0	6.7	6.9	6.7
Electrical & Mechanical Equipment	23.2	11.3	13.5	19.9	19.6
Furniture	3.8	2.7	4.3	2.7	3.1
Grounds & Landscaping	4.9	1.8	6.6	6.2	6.7
Operating Supplies	2.8	3.1	3.7	4.2	4.4
Painting & Decorating	3.7	3.6	3.6	4.2	2.9
Removal of Waste Matter	4.0	2.6	3.1	2.7	2.8
All Other Expenses	8.8	18.2	14.2	10.1	12.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

older properties to spend more on property operation and maintenance, it is interesting to see where this money was spent.

Management of newer properties spent less money on payroll and related expenses than was spent in the older establishments, but spent a substantially higher portion of the property operation and maintenance dollar on electrical and mechanical equipment. This reflects the greater degree of automation and implementation of new technologies that have become a necessity in today's lodging operation.

Credit/collection data

In contrast to what has been the general trend, a smaller percentage of guest accounts were settled with cash and credit cards in 1981 than in 1980. Until 1980, both cash and credit card usage had been gradually increasing. However, as shown in Exhibit

Exhibit 29
Method of Payment For Services*

	Method of Payment			
	Cash	Credit Card	Travel Agent & Tour Operator	All Other Credit
Location				
Center City	25.6%	50.6%	7.8%	16.1%
Airport	40.1	42.6	6.0	11.3
Suburban	32.2	48.9	4.9	14.0
Highway	37.1	48.2	3.6	11.0
Resort	39.4	32.2	17.1	11.3
Size				
Under 150 Rooms	43.3%	42.7%	4.5%	9.5%
150-299	31.4	47.6	8.8	12.1
300-600	28.1	40.5	11.0	20.3
Over 600 Rooms	22.2	55.6	5.6	16.6
Rate**				
A	43.6%	39.1%	10.8%	6.5%
B	34.9	44.4	7.7	13.0
C	26.8	52.9	8.0	12.3
D	26.3	47.4	7.2	19.1
Restaurant Not Operated	32.7%	44.0%	12.3%	11.0
Restaurant Operated— Food & Beverage Sales Ratio to Room Sales				
Under 50%	32.3%	49.2%	9.3%	9.1%
50-74%	28.7	49.3	6.4	15.6
75-99%	34.0	42.2	8.1	15.7
100% & Over	30.7	41.6	7.1	20.6
Mean, All Establishments	31.9%	46.2%	8.2%	13.7%

*Based on arithmetic mean.
**See page 34.

29, during 1981 the portion of guests' accounts settled by travel agents and tour operators nearly doubled, rising from 4.6 percent in 1980 to 8.2 percent in 1981. Other credit sources, including credit accounts of companies, such as the airlines (for their personnel and stranded travelers), also increased, going up from 10.7 percent in 1980 to 13.7 percent in 1981.

Additional information on credit card usage is shown in Exhibit 30. The annual cost per occupied room for various groups is shown together with the ratio to total sales and the comparable costs for 1980. The median annual cost per occupied room for the entire sample rose a modest 2.4 percent but the ratio to total sales increased from 1.1 percent in 1980 to 1.3 percent in 1981. Properties with the highest room rate and those with the highest occupancy rate reported the heaviest usage of credit cards in relation to total sales along with those properties without restaurants.

Exhibit 30
Credit Card Commissions—Annual Cost Per Occupied Room*

	Annual Cost Per Occupied Room		Increase (Decrease)	Ratio to Total Sales	
	1981	1980		1981	1980
Location					
Center City	$318	$284	12.0%	1.3%	1.2%
Airport	256	218	17.4	1.3	1.3
Suburban	286	200	43.0	1.3	1.0
Highway	232	156	48.7	1.2	1.1
Resort	271	238	13.9	1.3	.9
Size					
Under 150 Rooms	$194	$156	24.4%	1.3%	1.0%
150-299	267	205	30.2	1.2	1.1
300-600	356	262	35.9	1.2	1.2
Over 600	552	325	69.8	1.3	1.1
Rate**					
A	$182	$119	52.9%	1.3%	1.0%
B	270	191	41.4	1.2	1.1
C	380	263	44.5	1.2	1.1
D	573	493	16.2	1.4	1.2
Occupancy					
Under 50%	$222	$151	47.0%	1.2%	1.0%
50-59	238	156	52.6	1.1	1.0
60-69	257	206	24.8	1.2	1.1
70-79	296	213	39.0	1.3	1.1
80% & Over	234	242	(3.3)	1.4	1.1
Restaurant Not Operated	$176	$127	38.6%	1.5%	1.1%
Restaurant Operated— Food & Beverage Sales Ratio to Room Sales					
Under 50%	$245	$173	41.6%	1.2%	1.1%
50-74%	300	219	37.0	1.2	1.2
75-99%	436	273	59.7	1.3	1.0
100% & Over	423	297	42.4	1.1	1.1
Median, All Establishments	$256	$212	20.8%	1.3%	1.1%

*All figures are medians.
**See page 34.

Exhibit 31
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales—By Selected Criteria*

		Age				Size			
	Median, All Establishments	Built Pre-1940	1940–1959	1960–1969	1970s	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms
Amount Per Room									
Rent	$ 359	$ 469	$1,945	$1,420	$ 634	$ 50	$ 409	$1,020	$1,897
Property Taxes	331	637	359	496	526	246	346	570	809
Insurance on Buildings & Contents	83	79	93	111	111	77	94	84	59
Interest Expense	839	410	564	547	1,711	861	789	1,279	551
Depreciation & Amortization	1,055	1,502	899	1,142	1,355	897	1,114	1,296	1,309
Total Fixed Charges	$2,793	$2,808	$3,597	$3,209	$4,264	$2,424	$2,630	$4,173	$3,508
Ratio to Total Sales	18.7%	13.4%	30.2%	17.5%	23.7%	19.9%	18.1%	21.0%	15.6%

*Based on those supplying detail. All figures are medians.

Exhibit 32
Balance Sheet Statistics
Liquidity Ratios—All Establishments*

	1981	1980
Current Position	$ .97	$ .98
Accounts Receivable		
Amount Per Room	$626	$800
Ratio to Total Sales	3.3%	4.3%
Number of Times Average Daily Sales	12	16
Food Inventory—End of Year		
Amount Per Room	$ 67	$ 68
Annual Turnover	22.4	28.4
Beverage Inventory—End of Year		
Amount Per Room	$ 53	$ 49
Annual Turnover	8.2	7.8

*Based on those supplying detail. All figures are medians.

Fixed charges

Fixed charges per available room and ratios to total sales are shown in Exhibit 31. Median amounts and ratios for the entire sample and for the age, size, area and location groups are shown since those criteria are most likely to influence the amount of rent, taxes, insurance, interest and depreciation expenses of the properties.

The total fixed charges per room increased moderately for those properties providing sufficient detail, rising from $2,640 per room in 1980 to $2,793 in 1981. The ratio to total sales also increased, going from 18.5 percent to 18.7 percent. During 1981, there was a tendency for the newer and larger properties to have the highest fixed charges. In addition, those properties in the Northeast and Southeast and those located in center city or resort markets incurred higher fixed charges per room than those properties in other regions or locations.

Balance sheet statistics

The typical ratios used to measure liquidity, or the ability of a company to meet its current obligations, are shown in Exhibit 32 with comparable amounts and ratios for 1980. The current position improved moderately during the year, but both the amount per room and ratio to total sales of accounts receivable rose sharply. The amount per room of food and

	Area					Location				
	North-East	South-East	North Central	South Central	West	Center City	Airport	Suburban	Highway	Resort
	$ 372	$ 579	$ 300	$ 108	$ 598	$ 807	$ 282	$ 672	$ 459	$1,078
	656	397	415	230	347	411	323	329	287	489
	107	88	78	72	94	78	75	95	76	93
	971	1,164	920	737	636	763	819	364	586	725
	1,113	1,287	1,015	891	1,204	1,014	1,103	1,153	953	1,333
	$3,291	$3,629	$2,659	$2,051	$2,984	$3,281	$2,545	$2,467	$2,508	$3,593
	16.8%	23.8%	21.0%	18.2%	15.0%	21.2%	17.2%	17.1%	18.9%	18.0%

beverage inventory also rose during the year. However, while beverage inventory turnover increased during 1981, food inventory turnover decreased.

Summary

Median amounts per available room and ratios to total sales for the various groups are shown in the exhibits on pages 64-73. This year, these tables are slightly different than in previous studies. In the past, management fees were included in other administrative and general expenses. However, because management fees are more and more frequently based on operating results, in addition to the increasing frequency and size of the fees in relation to sales, we isolated this item and show it on a separate line.

In general, both the amount per room and the ratio to total sales of income before fixed charges of the properties in the 16 breakdowns shown in the following exhibits were slightly higher in 1981 than in 1980. One interesting item, which has also been reflected in our monthly surveys, is that those properties reporting the highest occupancies were able to improve profit margins most consistently while those with the lowest occupancies suffered the sharpest declines. This illustrates a point made by George Bernstein, Executive Partner of Laventhol & Horwath, in a speech to the Society of American Business and Economic Writers. He said that "a business with great prospects, but poor management, will either fail completely or become a marginal enterprise... whereas a company whose prospects don't seem so bright may succeed marvelously because of the brilliance of its management." When properties generate occupancy levels above 70 percent for the entire year, in spite of the overall economic recession, and well above the occupancies achieved by the industry in general, management succeeded in performing its job.

We expect this recession to continue at least through the remainder of 1982 and probably into the first and second quarter of 1983. In addition, high interest rates, which inhibit capital investment and its associated travel expenditures, are also expected to be with us for some time. For 1982, profit margins are expected to decline for a large number of properties. However, hotel operators appear to have adjusted to this lower level of activity by altering marketing budgets, trimming payroll costs and instituting other cost-saving measures. With the supply of hotel rooms increasing at a moderate pace, the industry will continue to weather this recession, and its record unemployment, in fairly good shape. As the economy begins to rebound in 1983, hotel operators should be in an excellent position to capitalize on the increase in business activity. ■

U.S. Lodging Industry—1981
Statement of Income and Expenses
—Median Amounts Per Available Room

All amounts are medians and do not necessarily add to the totals shown.

Rooms	Age of Property: Built Pre-1940	Built 1940-1959	Built 1960-1969	Built Post 1970
Sales	$12,881	$9,607	$11,760	$11,894
Departmental Expenses				
Payroll & Related Expenses	2,850	1,780	1,926	1,881
Other	1,175	796	915	899
Total	3,913	2,453	2,779	2,705
Departmental Income	9,641	7,208	8,605	9,133
Food & Beverage				
Sales				
Food	6,786	3,730	3,871	4,835
Beverage	2,556	1,424	1,591	2,156
Total	9,432	4,046	5,689	7,044
Cost of Sales				
Food	2,125	1,259	1,503	1,871
Beverage	535	413	403	504
Total	2,631	1,451	1,917	2,432
Gross Profit	6,497	2,594	3,719	4,725
Public Room Sales	163	165	118	160
Other Income	94	28	47	67
Gross Profit & Other Income	6,829	2,669	3,948	4,967
Departmental Expenses				
Payroll & Related Expenses	3,612	1,557	2,406	2,998
Other	832	633	887	942
Total	4,545	2,414	3,122	4,087
Departmental Income	1,457	412	890	1,123
Telephone Departmental Income	(251)	(35)	(149)	(99)
Net Income From Minor Operated Departments	139	31	14	29
Rentals & Other Income	556	230	206	178
Gross Income	12,273	8,135	10,151	10,584
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1,063	565	854	931
Other	1,392	843	829	994
Total	2,487	1,328	1,666	1,903
Marketing	1,134	555	889	1,093
Energy Costs	1,162	890	1,020	958
Property Operation & Maintenance	1,947	880	1,096	961
Total Undistributed Expenses	7,054	3,591	4,537	4,976
Income Before Management Fees	5,805	3,910	4,736	5,699
Management Fees	423	343	478	603
Income Before Fixed Charges	$5,484	$3,827	$4,547	$5,134

*See page 34.

Size of Property				Average Rate*			
Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Group A	Group B	Group C	Group D
$8,740	$9,891	$12,667	$16,198	$7,391	$10,108	$12,213	$17,779
1,667	1,662	2,129	2,547	1,486	1,702	1,983	2,772
501	668	939	1,173	482	661	895	1,378
2,168	2,384	3,123	3,848	2,000	2,408	2,803	4,107
6,439	7,495	9,720	11,978	5,495	7,603	9,513	13,385
2,398	2,841	5,400	6,726	1,943	2,934	4,705	7,877
1,211	1,462	2,136	2,543	996	1,390	2,003	3,079
3,541	4,253	7,718	9,164	2,849	4,475	6,580	10,975
840	1,010	1,907	2,098	716	1,044	1,590	2,584
285	352	444	484	238	322	430	610
1,149	1,369	2,433	2,525	907	1,369	2,023	3,255
2,407	2,927	5,399	6,572	1,991	2,915	4,566	7,800
96	121	190	117	73	136	176	200
2	4	44	87	1	5	46	102
2,494	3,125	5,670	6,896	2,041	3,176	4,892	8,119
1,552	1,680	3,106	3,901	1,181	1,747	2,859	4,551
399	623	919	1,010	363	552	877	1,229
1,884	2,335	4,084	4,997	1,618	2,373	3,781	5,878
592	673	1,498	2,138	409	703	1,157	2,399
(30)	(46)	(143)	(207)	(35)	(31)	(106)	(209)
29	31	62	66	28	34	24	96
214	135	238	488	132	127	209	459
7,058	8,854	11,621	14,745	6,115	8,841	11,098	16,568
477	505	958	1,070	379	540	860	1,201
497	712	910	1,167	459	704	897	1,320
771	1,275	1,965	2,175	736	1,224	1,835	2,564
227	664	1,085	1,204	212	587	1,108	1,286
622	792	1,009	1,351	578	821	1,044	1,350
639	818	1,127	1,486	601	863	983	1,608
2,526	3,527	5,149	6,331	2,371	3,561	4,982	7,107
4,631	4,907	6,807	8,281	3,769	5,129	6,127	9,550
484	646	615	850	482	637	624	976
$4,264	$4,670	$6,067	$7,816	$3,295	$4,827	$5,562	$8,721

U.S. Lodging Industry—1981
Ratios to Total Sales

Rooms	Age of Property			
	Built Pre-1940	Built 1940-1959	Built 1960-1969	Built Post 1970
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	19.2	18.5	17.3	16.4
Other	7.9	8.1	8.3	7.6
Total	27.5	27.0	26.3	24.2
Departmental Income	72.5	73.0	73.7	75.8
Ratio to Total Sales	39.5	52.0	47.0	44.0
Food & Beverage				
Sales				
Food	72.9	72.4	71.7	71.6
Beverage	27.8	32.2	28.4	28.5
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	31.5	36.7	36.5	35.6
Beverage	20.9	23.3	23.3	23.2
Total	28.6	33.0	32.0	31.5
Gross Profit	71.4	67.0	68.0	68.5
Public Room Sales	2.7	2.4	2.3	2.2
Other Income	.9	.4	.9	.8
Gross Profit & Other Income	75.3	70.9	70.6	71.2
Departmental Expenses				
Payroll & Related Expenses	43.5	38.4	41.5	40.4
Other	10.7	13.0	13.0	12.4
Total	54.5	55.0	55.2	55.3
Departmental Income	14.8	14.5	15.0	17.1
Ratio to Total Sales	6.0	2.8	4.5	5.5
Telephone Departmental Income	(1.2)	(.4)	(.8)	(.4)
Net Income From Minor Operated Departments	.4	1.6	.1	.1
Rentals & Other Income	2.1	1.7	1.0	.9
Gross Income	49.5	53.5	52.8	52.6
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	4.7	4.2	4.5	4.5
Other	5.3	5.5	4.9	4.7
Total	10.1	10.8	8.5	9.3
Marketing	4.5	3.5	4.0	4.8
Energy Costs	4.9	5.5	5.5	5.1
Property Operation & Maintenance	8.2	5.8	5.8	4.7
Total Undistributed Expenses	28.0	27.4	24.8	24.3
Income Before Management Fees	21.9	29.5	27.9	28.4
Management Fees	1.9	2.7	3.2	3.3
Income Before Fixed Charges	21.7%	26.8%	25.0%	25.9%

*See page 34.

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

Size of Property				Average Rate*			
Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Group A	Group B	Group C	Group D
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
19.1	17.3	16.5	16.6	19.7	17.5	16.5	16.2
6.0	6.9	7.5	8.0	6.4	6.7	7.2	7.8
25.3	24.2	24.1	25.5	26.6	23.8	23.9	23.9
74.7	75.8	75.9	74.5	73.4	76.2	76.1	76.1
56.4	50.4	44.1	42.5	53.5	50.4	47.2	44.2
70.9	69.9	72.4	72.0	69.3	70.5	71.9	72.2
30.9	30.5	27.6	28.0	33.0	30.0	28.1	28.0
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
36.0	36.4	33.6	31.8	36.5	35.6	35.5	32.6
23.2	23.0	21.1	19.1	24.1	22.2	21.4	20.2
32.2	32.0	30.2	28.3	32.3	31.7	31.1	29.0
67.8	68.0	69.8	71.7	67.7	68.3	68.9	71.0
2.4	2.8	2.7	1.4	2.4	2.7	2.7	2.2
.1	.2	.6	1.0	.1	.1	.7	1.0
70.0	71.1	73.6	74.1	69.9	71.3	72.6	74.0
42.5	40.6	41.9	43.3	41.6	40.1	42.8	41.4
10.8	13.0	11.3	11.0	12.3	12.1	12.4	10.5
54.5	54.6	54.2	52.3	55.6	53.8	55.8	52.4
16.3	17.2	19.8	22.1	15.9	18.6	17.9	22.2
4.4	4.4	6.2	7.3	3.9	4.7	5.6	7.7
(.3)	(.4)	(.6)	(.7)	(.5)	(.3)	(.5)	(.7)
.3	.2	.3	.3	.3	.2	.1	.3
1.4	.8	1.3	1.8	1.4	.7	1.0	1.5
61.2	55.7	53.0	53.4	59.5	56.8	53.0	53.8
3.8	3.7	4.0	4.0	3.7	3.6	4.2	4.0
4.6	4.7	4.2	3.9	4.6	4.5	4.3	4.1
6.8	8.4	8.2	8.3	7.0	7.9	8.8	8.4
2.3	4.3	4.4	4.4	2.3	3.8	4.7	4.2
5.5	5.5	4.7	4.9	5.8	5.4	5.1	4.3
5.4	5.7	5.3	5.7	5.8	5.7	4.9	5.3
21.6	24.0	22.9	24.2	22.5	23.5	24.4	22.7
40.8	30.9	31.0	29.3	37.7	34.5	29.6	30.8
4.6	3.9	3.0	3.0	4.7	3.9	3.0	3.1
37.0%	28.4%	27.9%	26.7%	35.5%	30.9%	26.7%	28.2%

U.S. Lodging Industry—1981 Statement of Income and Expenses —Median Amounts Per Available Room

All amounts are medians and do not necessarily add to the totals shown.

	Occupancy				
Rooms	Under 50%	50–59%	60–69%	70–79%	80% & Over
Sales	$5,593	$7,787	$9,030	$12,047	$11,911
Departmental Expenses					
Payroll & Related Expenses	1,320	1,461	1,661	1,842	2,052
Other	471	622	605	763	689
Total	1,823	2,002	2,249	2,628	2,688
Departmental Income	3,898	5,536	6,773	9,294	9,181
Food & Beverage					
Sales					
Food	2,513	2,343	3,313	3,661	3,800
Beverage	1,048	1,283	1,604	2,079	1,833
Total	3,461	3,531	4,498	5,370	5,325
Cost of Sales					
Food	976	908	1,140	1,281	1,299
Beverage	267	289	363	477	391
Total	1,269	1,172	1,470	1,625	1,630
Gross Profit	2,193	2,468	3,116	3,719	3,736
Public Room Sales	72	103	126	162	173
Other Income	8	6	14	27	17
Gross Profit & Other Income	2,315	2,581	3,249	4,010	3,982
Departmental Expenses					
Payroll & Related Expenses	1,634	1,579	1,785	2,169	2,372
Other	548	552	633	774	580
Total	2,264	1,955	2,389	3,023	3,012
Departmental Income	351	542	785	1,186	1,111
Telephone Departmental Income	(89)	(122)	(73)	(55)	(78)
Net Income From Minor Operated Departments	(40)	25	41	35	62
Rentals & Other Income	107	161	179	161	327
Gross Income	4,071	6,650	7,600	10,806	10,087
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	585	586	568	688	741
Other	554	656	661	827	650
Total	1,119	1,202	1,189	1,492	1,118
Marketing	525	657	692	882	355
Energy Costs	735	786	807	889	713
Property Operation & Maintenance	795	855	811	942	836
Total Undistributed Expenses	3,308	3,438	3,466	4,198	3,147
Income Before Management Fees	1,355	2,944	4,061	6,354	7,078
Management Fees	561	499	658	723	532
Income Before Fixed Charges	$ 956	$2,765	$3,650	$5,799	$6,507

Total Sales				Restaurant Not Operated	Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales			
Under $1,400,000	$1,400,000- $2,499,999	$2,500,000- $5,999,999	$6,000,000 & Over		Under 50%	50-74%	75-99%	100% & Over
$7,787	$11,040	$12,204	$16,789	$8,730	$10,103	$10,624	$11,939	$11,780
1,539	1,758	2,022	2,681	1,727	1,683	1,867	2,021	2,150
502	678	905	1,355	465	653	809	946	863
2,177	2,477	2,841	4,011	2,194	2,360	2,633	2,823	2,880
5,769	8,455	9,214	12,808	6,477	7,663	7,690	9,024	8,447
2,112	3,048	5,320	7,705	—	2,357	4,371	7,020	9,958
1,015	1,589	2,127	2,919	—	1,065	2,109	2,867	4,393
3,090	4,628	8,014	10,823	—	3,376	6,559	10,197	14,387
754	1,054	1,842	2,471	—	846	1,625	2,500	3,647
252	369	493	589	—	239	474	612	984
986	1,417	2,424	3,115	—	1,069	2,101	3,048	4,690
2,080	3,237	5,360	7,753	—	2,283	4,521	6,767	9,719
76	137	202	178	—	94	153	155	283
1	4	42	83	—	3	52	68	78
2,138	3,400	5,635	8,162	—	2,367	4,804	7,117	10,224
1,311	1,788	2,985	4,506	—	1,441	2,587	3,738	4,794
386	609	916	1,179	—	402	841	1,218	1,667
1,737	2,382	4,003	5,601	—	1,852	3,427	4,940	6,382
385	793	1,403	2,266	941	506	1,266	2,228	3,409
(35)	(31)	(133)	(206)	(90)	(39)	(128)	(164)	(158)
18	34	67	96	60	37	17	40	132
129	127	225	463	454	118	193	284	224
8,438	9,559	11,427	16,242	6,973	8,638	9,313	11,198	12,485
415	505	920	1,162	524	475	855	1,027	1,200
490	730	963	1,228	445	626	822	1,001	1,118
793	1,296	1,920	2,378	456	1,112	1,693	2,045	2,481
270	651	1,101	1,263	139	502	930	1,128	1,320
624	805	996	1,393	473	766	941	1,218	1,288
657	839	1,059	1,550	434	798	1,057	1,380	1,400
2,558	3,591	5,128	6,863	1,638	3,228	4,610	6,050	6,235
3,866	5,626	5,819	9,089	5,044	5,131	5,197	5,670	5,617
476	687	603	964	436	657	727	710	883
$3,503	$ 5,187	$ 5,425	$ 8,423	$4,596	$ 4,785	$ 4,678	$ 5,062	$ 5,289

U.S. Lodging Industry—1981
Ratios to Total Sales

	Occupancy				
Rooms	Under 50%	50-59%	60-69%	70-79%	80% & Over
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Departmental Expenses					
Payroll & Related Expenses	23.6	19.4	17.9	16.4	17.6
Other	8.3	7.8	6.8	6.8	5.9
Total	33.8	27.9	24.9	23.1	23.9
Departmental Income	66.2	72.1	75.1	76.9	76.1
Ratio to Total Sales	42.3	44.2	46.9	50.5	58.7
Food & Beverage					
Sales					
Food	72.5	71.7	71.4	70.5	72.1
Beverage	27.5	28.4	29.8	29.8	28.1
Total	100.0	100.0	100.0	100.0	100.0
Cost of Sales					
Food	37.6	36.0	35.5	34.8	34.1
Beverage	26.6	22.9	23.0	21.4	20.6
Total	34.7	31.8	32.0	30.4	30.3
Gross Profit	65.3	68.2	68.0	69.6	69.7
Public Room Sales	2.2	2.8	2.3	2.8	2.7
Other Income	.3	.3	.3	.6	.3
Gross Profit & Other Income	68.3	71.3	71.2	72.9	73.2
Departmental Expenses					
Payroll & Related Expenses	44.2	44.1	41.1	39.9	41.3
Other	16.7	12.9	11.4	11.8	10.1
Total	59.5	56.5	53.2	53.1	52.9
Departmental Income	9.0	15.1	18.4	20.4	20.1
Ratio to Total Sales	2.8	4.3	5.6	5.6	5.1
Telephone Departmental Income	(.9)	(1.1)	(.6)	(.4)	(.3)
Net Income From Minor Operated Departments	(.4)	.2	.3	.2	.4
Rentals & Other Income	1.2	1.3	1.1	.8	1.6
Gross Income	47.8	51.5	54.3	56.7	64.0
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	5.4	4.5	4.0	3.7	3.2
Other	6.2	4.7	4.6	4.2	4.3
Total	10.7	9.1	8.2	7.7	6.2
Marketing	4.7	5.0	4.2	4.2	2.1
Energy Costs	7.7	6.2	5.7	4.9	4.3
Property Operation & Maintenance	8.1	7.0	5.7	5.1	4.8
Total Undistributed Expenses	32.1	27.3	24.1	22.4	18.5
Income Before Management Fees	14.7	22.4	30.4	34.6	45.3
Management Fees	4.0	3.9	4.3	3.7	4.5
Income Before Fixed Charges	10.4%	20.3%	25.4%	31.7%	42.1%

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

Total Sales				Restaurant Not Operated	Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales			
Under $2,500,000	$2,500,000–$4,999,999	$5,000,000–$9,999,999	$10,000,000 & Over		Under 50%	50–74%	75–99%	100% & Over
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
19.4	16.9	16.6	16.3	20.6	17.1	17.3	16.9	17.9
6.3	6.8	7.1	7.9	5.6	6.8	7.2	7.9	8.0
26.1	23.2	24.1	24.0	26.2	23.9	24.7	25.3	25.3
73.9	76.8	75.9	76.0	73.8	76.1	75.4	74.7	74.7
54.3	50.7	43.3	42.3	66.3	52.7	43.7	38.1	30.4
70.9	69.1	71.7	72.2	—	70.8	70.8	72.2	71.6
30.9	31.2	28.3	27.8	—	30.2	29.2	27.8	28.4
100.0	100.0	100.0	100.0	—	100.0	100.0	100.0	100.0
36.6	36.2	34.3	32.1	—	35.4	34.2	35.3	36.9
24.3	22.0	21.8	19.7	—	22.4	21.8	22.1	23.2
32.7	31.5	31.0	28.7	—	31.6	30.3	31.2	32.7
67.3	68.5	69.0	71.3	—	68.4	69.7	68.8	67.3
2.5	3.0	2.7	1.8	—	3.1	2.4	1.6	2.2
.1	.1	.5	1.0	—	.1	.8	.8	.6
69.8	71.4	72.6	74.2	—	71.7	72.8	71.5	70.0
43.0	39.9	40.5	41.8	—	44.1	41.2	38.4	34.7
12.5	12.2	11.9	10.5	—	12.2	11.5	12.0	10.9
57.0	52.5	53.5	53.0	—	56.2	54.3	50.6	45.1
13.2	19.5	20.3	21.9	—	15.5	18.9	21.8	23.2
3.4	5.1	6.6	7.7	—	3.7	6.8	9.2	11.8
(.5)	(.3)	(.6)	(.6)	(.8)	(.4)	(.6)	(.7)	(.6)
.2	.2	.3	.3	.6	.2	.1	.1	.4
1.3	.7	1.2	1.5	4.5	.8	1.1	1.3	1.0
59.8	56.8	52.5	53.3	71.7	58.4	51.6	48.6	45.3
3.9	3.1	4.2	4.0	3.8	3.6	4.0	4.7	4.0
4.7	4.5	4.3	3.9	4.8	4.5	4.2	4.7	4.0
7.5	7.4	8.7	8.1	4.9	8.0	8.3	9.3	8.4
2.6	4.0	4.9	4.2	1.5	3.9	4.6	4.4	4.5
6.0	5.0	4.8	4.6	5.1	5.6	5.0	5.3	4.5
5.8	5.2	5.3	5.2	4.4	5.7	5.4	5.8	5.3
23.7	22.1	24.6	22.6	16.5	23.5	24.4	25.2	23.2
38.2	35.1	28.1	30.2	54.0	35.1	27.8	24.4	20.0
4.6	3.9	3.0	3.0	4.6	4.7	3.7	3.8	3.0
34.6%	30.7%	26.6%	27.8%	49.4%	32.0%	24.0%	21.3%	19.1%

U.S. Lodging Industry—1981
Statement of Income and Expenses
—Median Amounts Per Available Room

All amounts are medians and do not necessarily add to the totals shown.

	Area				
Rooms	Northeast	Southeast	North Central	South Central	West
Sales	$12,675	$10,995	$9,052	$9,093	$12,862
Departmental Expenses					
Payroll & Related Expenses	1,972	1,842	1,653	1,675	2,207
Other	942	733	615	535	907
Total	2,878	2,571	2,260	2,229	3,204
Departmental Income	9,805	8,448	6,811	6,777	9,812
Food & Beverage					
Sales					
Food	4,062	3,157	3,371	2,423	4,928
Beverage	2,193	1,984	1,541	1,102	1,842
Total	5,689	4,893	4,823	3,424	6,701
Cost of Sales					
Food	1,296	1,119	1,181	888	1,567
Beverage	483	436	340	250	365
Total	1,693	1,487	1,483	1,078	1,989
Gross Profit	3,963	3,362	3,247	2,295	4,767
Public Room Sales	231	74	121	71	200
Other Income	27	41	7	3	22
Gross Profit & Other Income	4,126	3,541	3,347	2,372	5,062
Departmental Expenses					
Payroll & Related Expenses	2,393	1,808	1,928	1,401	2,937
Other	867	833	635	447	670
Total	3,214	2,543	2,560	1,784	3,646
Departmental Income	1,186	944	718	529	1,440
Telephone Departmental Income	(120)	(78)	(89)	(8)	(133)
Net Income From Minor Operated Departments	(11)	36	59	48	39
Rentals & Other Income	208	227	146	168	278
Gross Income	11,247	9,510	7,776	7,641	11,925
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	825	586	586	456	882
Other	846	692	726	508	849
Total	1,580	1,229	1,311	755	1,614
Marketing	896	731	648	250	861
Energy Costs	1,261	1,025	822	606	800
Property Operation & Maintenance	1,060	894	856	714	955
Total Undistributed Expenses	5,084	3,945	3,771	2,492	4,411
Income Before Management Fees	6,356	4,978	4,002	5,102	7,020
Management Fees	920	593	585	505	777
Income Before Fixed Charges	$ 5,497	$ 4,692	$3,600	$4,592	$ 6,595

U.S. Lodging Industry—1981 Ratios to Total Sales

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Area				
Rooms	Northeast	Southeast	North Central	South Central	West
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Departmental Expenses					
Payroll & Related Expenses	17.8	16.8	18.8	18.1	16.6
Other	7.3	7.0	6.8	6.2	7.2
Total	24.2	24.3	25.6	24.4	24.7
Departmental Income	75.8	75.7	74.4	75.6	75.3
Ratio to Total Sales	48.3	49.8	45.6	55.9	46.9
Food & Beverage					
Sales					
Food	68.7	69.9	70.0	73.8	73.3
Beverage	31.4	30.1	30.8	27.2	26.7
Total	100.0	100.0	100.0	100.0	100.0
Cost of Sales					
Food	35.4	35.9	36.0	35.5	33.4
Beverage	20.9	23.3	22.8	22.7	20.6
Total	30.7	31.5	31.7	31.8	30.2
Gross Profit	69.3	68.5	68.3	68.2	69.8
Public Room Sales	2.9	1.4	2.8	2.0	3.2
Other Income	.8	.6	.2	.1	.4
Gross Profit & Other Income	73.2	70.7	71.4	70.4	73.9
Departmental Expenses					
Payroll & Related Expenses	40.9	39.6	41.3	41.5	43.8
Other	12.6	13.0	12.4	11.4	9.9
Total	55.4	53.1	54.8	54.8	53.4
Departmental Income	17.8	18.1	17.1	17.0	20.7
Ratio to Total Sales	5.5	5.1	5.6	3.9	6.5
Telephone Departmental Income	(.6)	(.6)	(.6)	(.2)	(.5)
Net Income From Minor Operated Departments	N	.3	.4	.4	.2
Rentals & Other Income	1.1	1.2	.9	1.0	1.4
Gross Income	55.0	55.0	53.1	61.3	55.9
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	3.8	3.9	4.0	3.6	3.8
Other	4.2	4.6	5.0	4.4	4.2
Total	7.9	8.1	8.8	6.6	7.9
Marketing	4.6	4.4	4.3	2.0	3.6
Energy Costs	6.1	5.8	5.5	5.2	3.9
Property Operation & Maintenance	5.7	5.2	5.8	5.6	5.0
Total Undistributed Expenses	25.1	23.0	24.7	20.6	21.6
Income Before Management Fees	29.9	32.8	28.2	41.5	32.3
Management Fees	3.9	3.9	3.9	4.6	4.0
Income Before Fixed Charges	27.7%	29.0%	24.5%	38.1%	30.1%

N-Negligible amount.

Explanation of Terms

Administrative and general expenses

Payroll – Salaries of managing director, manager, executive assistant manager (not on floor duty); their secretaries, and other clerks in managers' offices; accounting office; front office bookkeepers, bill clerks, cashiers, night auditors; credit department; receiving clerks; employment and personnel managers.

Average room rate

Room sales from all sources, including public rooms net of all allowances divided by the total number of rooms occupied during the year. In the monthly *National Trend of Business in the Lodging Industry* we refer to the Average Room Rate as Room Sales per Occupied Room.

Cash payroll

Entire cash payroll of hotel including house laundry and print shop.

Current position

Prepaid expenses are included in current assets and current mortgage payment installments are excluded from current liabilities.

Energy costs

Cost of electrical current, fuel, steam and water net of sales of energy to stores and others.

Income before fixed charges

For purposes of this study, income before fixed charges is defined as the total of rooms department income, food and beverage department income, minor operated department income, store rentals and other income, less all undistributed expenses.

Income from minor operated departments

Income from guest laundry, valet, cigar-newsstand, barber shop, and other service departments operated by the hotel less merchandise costs, payroll and related expenses, and other expenses directly chargeable to any of these operations.

Inventory turnover

Gross cost before deducting employees' meals divided by the average of the opening and ending inventories.

Marketing

Payroll and related expenses for sales, advertising and publicity managers, their secretaries and clerks. Also, expenses such as printing, stationery, artwork, layouts, literature, house organ, postage, traveling expenses, entertaining, etc.; space in newspapers and magazines; broadcasting; billboards and car cards.

Median—lower quartile—upper quartile

In a column arranged in regular sequence from high to low, or vice versa, the median is the middle figure. This means, of course, in the case of operating results that half the hotels represented had better results than the median and the other half poorer results.

The lower quartile is the dividing point between the lowest quarter and the upper three-quarters of the group. The upper quartile is the dividing point between the highest quarter and the lower three-quarters of the group. Thus, the lower quartile, median and upper quartile divide a series of figures into four equal parts. The results of the middle half of the hotels fall between the lower and upper quartiles.

Property operation and maintenance

Payroll and related expenses for carpenters, upholsterers, carpet men, masons, electricians, machinists, locksmiths, elevator mechanics, painters, paperhangers and similar maintenance employees; the chief and assistant engineers; boilermen; firemen; ice pullers; incinerator men; storekeepers and clerks in engineer's office and stores. Also, expenses such as uniforms; cost of supplies and outside contracts for painting, repairing of fur-

niture, springs, mattresses and pillows, floor coverings, curtains, draperies and scarves, shades, screens and awnings, electrical and mechanical equipment, elevators and building; other maintenance work and all similar supplies and expenses associated with providing the hotel with heat, light, power and water.

Rentals and other income

Rental income from stores, offices, clubs and other spaces not classified as concessions used for business purposes. Also includes revenue from concessions, income from vending machine operations, commissions (including pay stations) and interest earned.

Restaurant

Cost (Food) – Cost of food sold, before and after deduction of the cost of employees' meals.

Cost (Beverages) – Cost of beverages sold, after deduction of the cost of employees' beverages.

Payroll – Stewards, chefs, cooks, waiters, waitresses and bus boys, dishwashers, butchers, vegetable cleaners, bakers, pantry help, etc.; wine stewards and bartenders, stock clerks, storekeepers, cost clerks, checkers, cashiers.

Income, Departmental – Total restaurant sales and other restaurant income less total cost of food and beverages consumed, payroll and related expenses, and other direct restaurant expenses.

Sales, Total Restaurant (Food and Beverages) – Gross sales of food and beverages, less allowances. Cover charges and other miscellaneous restaurant income are not included.

Rooms

Payroll – Assistant manager, front office clerks, not including bookkeepers, cashiers and bill clerks; housekeeper and assistants; linen room; maids; housemen; bellmen; elevator operators; floor clerks; pages; doormen; house officers and watchmen.

Income, Departmental – Room sales, less rooms payroll and related expenses and other direct room expenses.

Sales – Total rent income from guest and non-banquet public rooms, less allowances, not including office rentals, etc.

Sales, total

All sales and income, less allowances and cover charges.

Taxes

In calculating Number of Times Taxes Were Earned, taxes include all municipal taxes, such as real estate, personal property, sewer and utility. All payroll taxes are charged to the various departments.

Telephone

Income or Loss, Departmental – Telephone sales, less cost of telephone service, telephone payroll and related expenses, and other direct telephone expense.

Sales – Gross revenue from use of telephone facilities by guests, less allowances. Includes service charges and pay station commissions.

Further explanation may be found in *Uniform System of Accounts for Hotels*. ■

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